**Auditor of State
Betty Montgomery**

EAST CLEVELAND CITY SCHOOL DISTRICT

PERFORMANCE AUDIT

FOLLOW-UP REPORT

APRIL 13, 2004

To the Residents and Board of Education of the East Cleveland City School District:

On March 12, 2003, the East Cleveland City School District (ECCSD) was placed in fiscal emergency because of a $7.7 million projected deficit beginning in the fiscal year ending June 30, 2003. Pursuant to ORC §3316.03, the Auditor of State initiated a follow-up performance audit to assess the status of implementation of the recommendations made in a 1999 performance audit conducted by this office. The five functional areas assessed in the follow-up performance audit were financial systems, human resources, facilities, transportation, and technology. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist ECCSD in eliminating the conditions which brought about the declaration of fiscal emergency.

During the course of the follow-up performance audit, several potentially significant issues were discovered regarding contract management processes in the District. The scope of the audit was subsequently expanded to include an assessment of these issues.

The performance audit contains recommendations which provide cost savings, revenue enhancements and efficiency improvements. The performance audit also provides an independent assessment of ECCSD's financial situation and a framework for the District's financial recovery plan. While the recommendations contained within the performance audit are resources intended to assist ECCSD in developing and refining its financial recovery plan, the District is also encouraged to assess overall operations and develop other recommendations independent of the performance audit.

An executive summary has been prepared which includes the project history, a discussion of the fiscal emergency designation, a District overview, the objectives and methodology of the performance audit, a summary of the District's implementation of 1999 recommendations, financial implications, and issues needing further study. This report has been provided to ECCSD and its contents discussed with the appropriate District officials. The District has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at http://www.auditor.state.oh.us/ .

Sincerely,

BETTY MONTGOMERY
AUDITOR OF STATE

April 13, 2004

Executive Summary

Project History

The Auditor of State initiated a fiscal emergency analysis under Ohio Revised Code (ORC) § 3316.03, and on March 12, 2003 certified that the East Cleveland City School District's (ECCSD) financial forecast reflected an operating deficit of $7.7 million for the fiscal year (FY) ending June 30, 2003. As specified under ORC § 3316.05, a Financial Planning and Supervision Commission (Commission) was convened for ECCSD consisting of the following five voting members:

- Superintendent of Public Instruction, or designee;
- Director of Budget and Management, or designee;
- A parent of a child attending East Cleveland City Schools appointed by the Superintendent of Public Instruction ;
- A business person appointed of the Mayor of East Cleveland; and
- A business person appointed by the Governor.

ORC § 3316.07 gives the Commission the responsibility to re-establish the fiscal integrity of ECCSD, and eliminate the conditions that created the declaration of fiscal emergency. Since its inception, the Commission has regularly held public meetings to discuss important issues relating to the operations of ECCSD, and the development of a statutorily required financial recovery plan. Pursuant to ORC § 3316.06, the financial recovery plan will serve as a broad outline for the management decisions the Commission must make to restore ECCSD to financial solvency. The plan establishes a strategy and timeline for brining the District's expenditures in line with revenues.

Following ECCSD's fiscal emergency declaration, and at the request of the Ohio Department of Education (ODE), the Auditor of State's Office began a follow-up performance audit of the District. In 1999, ECCSD received a performance audit as a result of the requirements of House Bill (HB) 215. The 1997 HB was an urban education initiative, in which the 21 urban school districts in the State of Ohio were to implement an academic performance benchmarking program and undergo performance audits conducted by the State Auditor's Office. Within six months of the completion of the HB 215 performance audit, each school district was required to complete an *Economy and Efficiency Plan* to outline its efforts to implement the recommendations of the performance audit. This follow-up audit examines the status of implementation of the recommendations made in the 1999 Performance Audit.

Objectives and Scope

At the request of ODE, the Auditor of State's Office began the follow-up performance audit following ECCSD's placement in fiscal emergency on March 12, 2003. The areas examined in the follow-up assessment include the following:

- Financial Systems,
- Human Resources,
- Facilities,
- Transportation, and
- Technology Utilization.

During the course of the follow-up performance audit, several potentially significant issues were discovered regarding contract management processes in the District. Therefore, on May 15, 2003, ECCSD's superintendent and the Commission were notified that the Auditor of State's Office was expanding the scope of the follow-up performance audit to include a comprehensive review of the process by which the District awards contracts to its vendors.

The overall objective of the audit was to assess the status of recommendations made in the 1999 Performance Audit and to identify cost savings in unimplemented recommendations that would be feasible for ECCSD to implement in FY 2003-04. Ultimately, the performance audit recommendations seek to provide a plan for financial recovery that may be adopted by the Commission and District. The scope of the audit included the work completed in 1999 and the documentation included in those assessments, as well as information collected from the District and its peers from FYs 1999-00 through 2002-03.

Methodology

To complete this report, the auditors gathered and assessed a significant amount of data pertaining to ECCSD and conducted interviews at many levels and with groups of individuals involved internally and externally with ECCSD to determine the status of the recommendations issued in the 1999 Performance Audit and to assess their implementation using responses made by the District in its *Economy and Efficiency Plan*. Several surrounding school districts were selected to provide benchmark comparisons for a staffing analysis of ECCSD. These districts include Cleveland Heights-University Heights, Euclid and Warrensville Heights. Finally, standard industry benchmarks were used for comparative purposes in several areas.

Overview of East Cleveland City School District

The East Cleveland City School District is located in Cuyahoga County, and covers the entire 3.2 square mile area of the City of East Cleveland. The City of East Cleveland is bordered on three sides by the City of Cleveland, and on the south by the City of Cleveland Heights. ECCSD also overlaps the boundary of Cleveland Heights, and includes an area of Cleveland Heights of less than one square mile.

The City of East Cleveland has a population of approximately 27,000, which has decreased by 32 percent from the 1950 Census total of 40,000. Enrollment in the District has declined by nearly 30 percent, from 7,676 students in FY 1993-94 to 5,380 in FY 2002-03. Due to the high levels of poverty and unemployment, there is a significant transient population in the community that impacts the District through continual enrollment and withdrawal of students throughout the school year. ECCSD educates approximately 5,300 students in grades K-12, as well as special education students. The District employs approximately 380 teachers, and 340 support staff (administrative, custodial, cafeteria, educational service personnel, etc.).

The District has General Fund revenues of approximately $48 million and expenditures totaling $50 million in FY 2002-03. ECCSD's spending per pupil is approximately $10,400. The District is also currently undergoing a $100 million school renovation and construction project through the Ohio Schools Facilities Commission, in which all school buildings are being reconstructed or completely demolished and rebuilt.

ECCSD's mission is to "…provide the children of East Cleveland with the academic and life skills needed for each and every one to be a success in the 21st Century." ECCSD's goals include improving student performance on the proficiency tests by 12.5 percent annually, improving the graduation rate, supporting building continuous improvement plans, implementing the Effective Schools Process, and increasing parental involvement.

The District achieved a 1.6 percent increase in its performance index score for FY 2002-03 over the previous year. ECCS also successfully attained 6 of 22 standards on the Annual State Report Card, four higher than FY 1998-99. Further, the graduation rate increased to 52.9 percent in FY 2002-03 from 45.2 percent in FY 1994-95.

Although ECCSD has made gains in its educational performance, the District continues to suffer from poor financial recordkeeping and lax internal controls. As cited in the 1999 Performance Audit and reiterated in this study, ECCSD regularly bypasses standard procedures for internal controls in financial management, purchasing and contracting. The District was also unable to provide accurate financial or staffing data on several occasions. Many of the areas of weakness identified in the 1999 Performance Audit were not rectified and were often also cited in financial audits. Lastly, the ECCSD Board of Education appears to support the poor business practices

employed by the District through policy decisions that encourage the continuation of these practices.

In the 1999 Performance Audit there were 174 recommendations to ECCSD for the improvement of the efficiency and effectiveness of District operations. During the follow-up performance audit, the status of the implementation of the recommendation was determined, as well as the auditors' assessments of ECCSD's implementation of the original recommendations. The following illustrates the status of the 1999 Performance Audit recommendations:

Implementation Status	Number	Percent
Fully Implemented	37	21%
Partially Implemented	55	32%
Not Implemented	80	46%
No Longer Applicable	2	1%
Total	**174**	**100%**

During the follow-up performance audit, the high number of recommendations not implemented was noted as a potential cause of the District's current financial difficulties. Many of the cost saving recommendations proposed in 1999 were addressed in the District's *Economy and Efficiency Plan,* but not implemented. As a result, unnecessary overspending has occurred in several areas, and weak or poor financial and process management practices have continued to divert scarce resources from educational goals.

Recommendation Implementation Assessments

An overview of the status of implementation of the recommendations made in the 1999 Performance Audit is provided in the table that follows. Detailed analyses are contained in the respective sections of the audit report. All interested parties are encouraged to read the entire report.

Recommendation	Implemented	Partially Implemented	Not Implemented	Potential Cost Savings or Revenue
Financial Systems - 52 Recommendations				
• Fully Implemented 6 or 12% • Partially Implemented 19 or 36% • Not Implemented 27 or 52%				
Financial Systems – Financial Planning				
R2.1 Develop and implement a Strategic Plan		X		
R2.2 Develop a Capital Improvement Plan			X	
R2.3 Revise and expand financial planning and forecasting responsibilities and policies		X		
R2.4 Develop and implement an accurate five-year forecast			X	
R2.5 Create several forecasts using various "what-if" scenarios			X	
R2.6 Take advantage of every funding source available to repair and renovate facilities			X	
R2.7 Pursue all Medicaid reimbursable areas provided for in the CAFS program			X	X
R2.8 Convene a Business Advisory Committee			X	
Financial Systems – Budgeting and Management Reporting				
R2.9 Institute a forum to involve parents in planning and budgeting		X		
R2.10 Develop and implement an informative budget document			X	
R2.11 Decentralize the budget process			X	
R2.12 Monitor discretionary expenditures		X		X
R2.13 Increase per pupil instructional spending	X			
R2.14 Convene a Staff Allocation Committee			X	
R2.15 Train principals, department heads and secretaries on the accounting system			X	
R2.16 Create an Internal Budget Committee			X	

	Recommendation	Implemented	Partially Implemented	Not Implemented	Potential Cost Savings or Revenue
R2.17	Adopt the permanent appropriation measure within the statutory time period		X		
R2.18	Revise legal level of control policies			X	
R2.19	Hold operational units accountable for budgetary performance			X	
R2.20	Develop system controls policies			X	
R2.21	Implement a "carry-through" program for controllable line item accounts			X	
R2.22	Provide Board with complete and satisfactory financial information		X		
R2.23	Develop and implement a comprehensive annual financial report			X	X
R2.24	Convene an Audit Committee			X	
Financial Systems – Purchasing					
R2.25	Develop policies to ensure competitive pricing and requests for proposals		X		
R2.26	Ensure OSC and OCPP purchases are financial advantageous			X	
R2.27	Ensure commonly used items are competitively bid		X		
R2.28	Review the MBE and FBE participation resolution to avoid legal conflicts	X			
R2.29	Implement and enforce vendor payment and staff reimbursement policies		X		
R2.30	Prevent purchases being made without purchase orders		X		
R2.31	Ensure all required information is provided before processing a requisition		X		
R2.32	Develop purchasing policy and procedures manual		X		
R2.33	Institute online purchasing		X		
R2.34	Implement a vendor performance monitoring program using USAS			X	
R2.35	Develop a fixed asset inventory system		X		X
R2.36	Purchase a textbook inventory system			X	
Financial Systems – Vendor Payment					
R2.37	Change the 20 percent threshold to 10 percent			X	
R2.38	Implement a system to monitor and process invoices in a timely manner		X		
R2.39	Perform bank reconciliations on a monthly basis			X	X
Financial Systems – Payroll					
R2.40	Review the USPS audit report			X	
R2.41	Consolidate the 52 regular pays into 26		X		
R2.42	Standardize all attendance forms to one format	X			
R2.43	Install an automated time and attendance system			X	

	Implemented	Partially Implemented	Not Implemented	Potential Cost Savings or Revenue
Recommendation				
R2.44 Design an attendance system, if an automated system is not implemented		X		
R2.45 Develop a payroll process manual for the Payroll Department		X		
R2.46 Develop a payroll user manual for operational units			X	
R2.47 Ensure accuracy and completeness of payroll data			X	
R2.48 Discontinue manual tracking of leave	X			
R2.49 Discontinue paying substitutes outside of the regular payroll cycle	X			
R2.50 Negotiate mandatory direct deposit			X	
R2.51 Track manual checks		X		
R2.52 Discontinue practice of allowing employees to pick up paychecks in advance	X			

Recommendation	Implemented	Partially Implemented	Not Implemented	Potential Cost Savings or Revenue
Human Resources – 35 Recommendations • Fully Implemented 10 or 29% • Partially Implemented 7 or 20% • Not Implemented 18 or 51%				
Human Resources – Organizational Issues				
R3.1 Assess each HR position to determine its necessity		X		
R3.2 Implement a Human Resources Information System		X		
Human Resources – Staffing/Compensation Analysis				
R3.3 Achieve a 400:1 student to assistant principal ratio	X			
R3.4 Reduce two librarian positions	X			X
R3.5 Evaluate if middle school teachers should have a duty period each day			X	
R3.6 Track supplemental costs and performance	X			
Human Resources – Certificated Substitutes				
R3.7 Discontinue manual tracking of leave taken	X			
R3.8 Increase the size of the substitute pool		X		
R3.9 Reduce amount of sick time taken to reduce substitute costs		X		X
Human Resources – Classified Substitutes				
R3.10 Monitor sick leave of classified employees			X	
R3.11 Implement an automated substitute calling system			X	
Human Resources – Benefits Administration				
R3.12 Review health insurance plans to control costs		X		
R3.13 Offer only one dental plan			X	X
R3.14 Require all employees to contribute to health insurance premiums			X	X
R3.15 Establish an employee plus one enrollment option for health insurance	X			
Human Resources – Workers Compensation				
R3.16 Use BWC to train employees on safety and hygiene	X			
R3.17 Implement a modified duty program			X	

Recommendation	Implemented	Partially Implemented	Not Implemented	Potential Cost Savings or Revenue
Human Resources – Contractual Issues				
R3.18 Implement a sick leave abuse policy for classified employees			X	
R3.19 Require a physician's statement for more than three consecutive sick days			X	
R3.20 Require employees to notify there intention to retire by March 1st		X		
R3.21 Renegotiate severance payout policy			X	
R3.22 Implement procedures to anticipate staff reductions and retirements	X			
R3.23 Restrict teachers on sabbatical from receiving compensation			X	
R3.24 Negotiate earlier requirements for leave notification			X	
R3.25 Extend the probationary period			X	
R3.26 Require grievances to be filed within a reasonable amount of time			X	
Human Resources – Employment Issues				
R3.27 Create a leadership training program for prospective administrators	X			
R3.28 Update job descriptions		X		
R3.29 Create a procedure to formally track grievances			X	
R3.30 Create a procedure to track all disciplinary actions			X	
R3.31 Evaluate teachers annually			X	
R3.32 Train supervisors on procedures to non-renew teachers	X			
R3.33 Implement an exit interview process			X	
R3.34 Track and monitor reasons why employees leave			X	
R3.35 Comply with State requirements for school year calendars	X			

Recommendation	Implemented	Partially Implemented	Not Implemented	Potential Cost Savings or Revenue
Facilities – 39 recommendations				
• Fully Implemented 8 or 21% • Partially Implemented 15 or 38% • Not Implemented 16 or 41%				
Facilities – Maintenance Operations				
R4.1 Comply with guidelines and statutes for the school construction program	X			
R4.2 Develop a capital improvement plan			X	
R4.3 Conduct ongoing facilities inventories and audits		X		
R4.4 Reconvene the long-range planning commission			X	
R4.5 Identify funding sources for facilities			X	
R4.6 Develop a methodology for determining capacity	X			
R4.7 Adopt as policy a standard for projecting enrollment	X			
R4.8 Ensure the proposed construction addresses District needs	X			
R4.9 Move the handicapped students from the church to an elementary school	X			
R4.10 Document the condition of asbestos		X		
R4.11 Develop an asbestos management plan		X		
R4.12 Schedule annual asbestos health and safety training		X		
Facilities – Custodial Operations				
R4.13 Avoid allowing the head custodian to conduct performance evaluations			X	
R4.14 Allow principals to participate in evaluations of custodians			X	
R4.15 Reinstate the practice of conducting building inspections			X	
R4.16 Use the building inspection form			X	
R4.17 Develop building inspection files and keep in a central location			X	
R4.18 Develop and distribute a custodial handbook			X	
R4.19 Establish procedures for paying overtime to avoid paying in cash		X		
R4.20 Monitor overtime expenditures of custodians		X		
R4.21 Invest in technology to remotely control and monitor boilers	X			
R4.22 Develop a custodial substitute pool to avoid paying overtime		X		
R4.23 Schedule assistant custodian work so supervision is possible	X			

Recommendation		Implemented	Partially Implemented	Not Implemented	Potential Cost Savings or Revenue
R4.24	Establish a standard time and attendance method			X	
R4.25	Allocate custodial staff using quantitative data			X	
R4.26	Review custodial staffing and consider reductions			X	X
Facilities – Building and Grounds Operations					
R4.27	Purchase a computerized facilities management system	X			
R4.28	Develop work performance and material use standards for each trade		X		
R4.29	Implement a planned preventive maintenance program			X	
R4.30	Establish inventory control procedures		X		
R4.31	Determine the level of funding for durable and quality equipment		X		
R4.32	Establish custodial budgets for each building		X		
R4.33	Establish an equipment replacement policy			X	
R4.34	Eliminate the waste management II position and contract with BFI		X		
R4.35	Allow custodians to assume minor maintenance responsibilities		X		
R4.36	Negotiate a reduced COLA for maintenance wages		X		
R4.37	Schedule maintenance employees to work a second shift			X	
R4.38	Evaluate types of maintenance work contracted with vendors			X	
R4.39	Assess benefits and costs of privatization		X		X

Recommendation	Implemented	Partially Implemented	Not Implemented	Potential Cost Savings or Revenue
Transportation – 19 recommendations				
• Fully Implemented 7 or 37% • Partially Implemented 3 or 16% • Not Implemented 9 or 47%				
Transportation – Policy				
R5.1 Review current transportation policy against actual practices		X		X
Transportation – State Funding				
R5.2 Submit a corrected version of FY 1997-98 T-1 Form	X			
R5.3 Review policies and procedures related to GCRTA ticket sales	X			
R5.4 Prepare a worksheet before submitting forms to ODE			X	
Transportation – General Operations				
R5.5 Involve transportation personnel in the IEP process	X			
R5.6 Obtain bids for special needs transportation vendors	X			
Transportation – Personnel				
R5.7 Create procedures for the assignment of bus routes and filling vacancies		X		
R5.8 Require a physician's statement for more than three consecutive sick days			X	
R5.9 Implement a sick leave abuse policy for classified employees			X	
R5.10 Review practice of guaranteeing substitute drivers hours	X			
R5.11 Renegotiate allowing bus drivers to receive vacation benefits			X	
Transportation – Bus Fleet and Maintenance				
R5.12 Prepare a formal bus replacement plan			X	
R5.13 Utilize manuals and used oil chemical analysis programs, and monitor equipment and parts failures			X	
R5.14 Improve purchasing practices	X			
R5.15 Ensure federal fuel excise taxes are deducted			X	X
R5.16 Allocate fuel expenditures on monthly fuel summary sheets	X			
R5.17 Create procedures for billing extra runs			X	
R5.18 Charge back all field trips to appropriate departments			X	
R5.19 Use transportation routing software		X		

Recommendation	Implemented	Partially Implemented	Not Implemented	Potential Cost Savings or Revenue
Technology – 29 recommendations				
• Fully Implemented 6 or 21% • Partially Implemented 11 or 34% • Not Implemented 10 or 38% • Not Applicable 2 or 7%				
Technology – Organization and Staffing				
R6.1 Designate an individual to implement and manage District technology		X		
R6.2 Train an employee to function as backup to the EMIS administrator		X		
R6.3 Revise technical position descriptions		X		
R6.4 Analyze the make-up and skill level of computer users		X		
Technology – Overall Planning Management				
R6.5 Develop a long-term strategic technology plan		X		
R6.6 Create a Technology Steering Committee			X	
R6.7 Ensure the District is receiving the lowest possible prices on technology		X		
R6.8 Develop written technical standards			X	
R6.9 Develop a computer use policy		X		
R6.10 Develop a comprehensive list of software licenses	X			
R6.11 Ensure hardware warranties are maintained			X	
R6.12 Analyze cost incurred by technology vendors			X	
R6.13 Monitor and evaluate services of technology vendors		X		
R6.14 Purchase source codes – *no longer relevant or applicable*				
Technology – Technical Architecture				
R6.15 Consider impact of additional applications and increased usage		X		
R6.16 Implement network management software	X			
R6.17 Develop a plan for restoring data from magnetic tapes			X	
R6.18 Consolidate information on hardware in a single location	X			

Recommendation	Implemented	Partially Implemented	Not Implemented	Potential Cost Savings or Revenue
Technology – Software Applications				
R6.19 Develop a list of all business applications	X			
R6.20 Track technology expenditures			X	
R6.21 Implement food service software			X	
Technology – Communication Technology				
R6.22 Standardize e-mail			X	
R6.23 Reestablish a website		X		
R6.24 Develop an Intranet			X	
Technology – Instructional Technology				
R6.25 Maintain information on technology grants		X		
Technology – Technical Training				
R6.26 Develop a staff technology development program			X	
R6.27 Make Y2K compliance a high priority - *no longer relevant or applicable*				
Educational Management Information System (EMIS)				
R6.28 Assign EMIS responsibility to the administrator of data processing	X			
R6.29 Ensure timely and accurate submission of EMIS data	X			

Contract Management Key Findings and Recommendations

A summary of key findings and recommendations related to contract management is provided below. More thorough analyses are contained in the **contract management** section of the audit report. All interested parties are encouraged to read the entire report.

- ECCSD's Board of Education does not ensure contracts with vendors are properly obtained and executed. The Board should undergo training on all District policies and procedures, and all applicable laws (**R7.1**).

- The District has a purchasing manual, but it does not adequately address many aspects of contract management, including developing specifications and requests for proposals or qualifications, rating bids and proposals, ensuring availability of funds, developing contracts, monitoring performance, and closing out contracts. ECCSD should update its purchasing manual to include these areas and to make it more user-friendly (**R7.2**), and should assign contract management responsibilities to appropriate staff members.

- ECCSD has created a duplication of effort within its owner's representative function for the Ohio School Facilities Commission Project. The District should determine if the owner's representative should be an employee or an outsourced vendor, not both (**R7.5**).

- The District should follow its own policy of bidding and contracting with all vendors providing goods and services over $10,000 (**R7.8** and **R7.12**).

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that ECCSD should consider. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Financial Implications

	Recommendation	Estimated Annual Revenue Enhancements	Estimated Annual Cost Savings	Estimated Annual Costs	Estimated One-Time Implementation Costs
Financial Systems					
R2.7	Increase the CAFS reimbursement by charging for at least nine out of 12 eligible services.	$163,000			
R2.12	Bring professional and technical services discretionary expenditures in line with surrounding district's percentage.		$1,200,000		
R2.23	Prepare GAAP statements in-house rather than contracting it out.		$36,000		
R2.35	Conduct annual fixed asset inventories in-house rather than contracting it out.		$16,000		
R2.39	Conduct reconciliation of accounts in-house rather than contracting it out.		$28,000		
Subtotal Financial Systems		**$163,000**	**$ 1,280,000**		
Human Resources					
R3.A	Reduce clerical staffing by 12.0 FTEs		$494,000		
R3.4	Reduce 22.0 FTEs from Education Service Personnel classifications.		$1,420,000		
R3.9	Reduce certificated leave usage by one day per FTE		$42,000		
R3.11	Purchase an automated substitute calling system.			$300	$900
R3.13	Enroll employees only in the American Dental Plan. (Subject to negotiations)		$229,000		
R3.14	Required a 10 percent employee contribution for all health insurance plans. (Subject to negotiations)		$85,000		
Subtotal Human Resources			**$2,270,000**	**$300**	**$900**
Facilities					
R4.18	The cost of a custodial maintenance manual.				$60
R4.26	The reduction of ten custodial staff		$325,000		
R4.39	The minimum total cost savings of privatizing janitorial services		$1,000,000		
Subtotal Facilities			**$1,325,000**		**$60**

Recommendation		Estimated Annual Revenue Enhancements	Estimated Annual Cost Savings	Estimated Annual Costs	Estimated One-Time Implementation Costs
Transportation					
R5.1	Implementation of cluster stops with five bus drivers.		$250,000		
R5.15	Receive refund of Federal Fuel Excise Tax.	$9,500 (one time)			
Subtotal Transportation		**$9,500**	**$250,000**		
Contract Management					
R7.5	Consolidate the Director of Facilities and Operations and the Program Manager positions into one position, and no longer contract with Dodson & Associates as OSFC Project Manager.		$240,000		
Subtotal Contract Management			**$240,000**		
TOTAL		**$172,500**	**$5,365,000**	**$300**	**$960**

Financial Recovery Plan

The District is required to submit a five-year forecast to ODE on a semiannual basis. The ECCSD treasurer has submitted several forecasts, but their accuracy and reliability is questionable as illustrated in **R2.4** in the **financial systems** section. On March 12, 2003, the Auditor of State's Office declared ECCSD to be in fiscal emergency due to a $7.7 million forecasted deficit. The forecast was based on revenue and expenditure figures that the Auditor of State's Office was currently auditing for FY 2001-02. This audit was not completed at the time of this follow-up performance audit, and therefore the totals are considered estimates. FY 2002-03 data is also considered to be estimates since the totals are not audited figures. These amounts were provided by ODE. At the time these amounts were calculated, the ODE consultant was relying on information provided by the District's administrators. Since the accuracy of this information may be in question, it is recommended by the ODE consultant that as new information becomes available, appropriate revisions be incorporated into the analysis.

Since this was a follow-up performance audit, the scope did not include an analysis of all expenditures. Although this audit identified approximately $5.4 million in potential cost savings which are reflected in the financial recovery plan totals, these savings are not sufficient to offset deficits after FY 2004-05. The District and the Commission should review all expenditure areas for possible cost reductions, before placing a levy on the ballot.

ECCSD Five-Year Financial Recovery Plan ($ in 000's)

	Estimated FY 2001-02[1]	Estimated FY 2002-03[2]	Forecast FY 2003-04	Forecast FY 2004-05	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08
Real Estate Property Tax	$ 9,023	$ 9,071	$ 9,159	$ 9,132	$ 9,105	$ 8,885	$ 8,858
Tangible Personal Property Tax	$ 1,773	$ 1,661	$ 1,642	$ 1,593	$ 1,545	$ 1,499	$ 1,454
Unrestricted Grants-in Aid	$ 27,477	$ 26,608	$ 25,731	$25,611	$25,099	$ 24,597	$24,105
Restricted Grants-in-Aid	$ 7,001	$ 8,304	$ 8,437	$ 9,410	$10,351	$ 11,386	$12,525
Property Tax Allocation	$ 1,278	$ 1,252	$ 1,238	$ 1,213	$ 1,189	$ 1,165	$ 1,142
Other Revenues	$ 1,198	$ 1,517	$ 1,599	$ 1,614	$ 1,630	$ 1,648	$ 1,666
Total Operating Revenues	**$ 47,750**	**$ 48,414**	**$ 47,805**	**$48,573**	**$48,919**	**$ 49,179**	**$49,750**
Salaries and Wages	$ 31,965	$ 32,046	$ 30,892	$29,652	$30,611	$ 30,274	$31,292
Fringe Benefits	$ 8,363	$ 8,186	$ 9,268	$ 8,582	$ 8,869	$ 8,768	$ 9,074
Purchased Services	$ 7,017	$ 7,943	$ 6,777	$ 7,023	$ 7,275	$ 7,536	$ 7,804
Supplies, Materials and Textbooks	$ 1,601	$ 1,020	$ 1,051	$ 1,082	$ 1,115	$ 1,148	$ 1,183
Capital Outlay	$ 313	$ 450	$ 464	$ 478	$ 492	$ 507	$ 522
Other Expenditures	$ 788	$ 724	$ 746	$ 768	$ 791	$ 815	$ 839
Total Operating Expenditures	**$ 50,047**	**$ 50,371**	**$ 49,197**	**$47,584**	**$49,154**	**$ 49,048**	**$50,713**
State Emergency Loan		$ 7,698	$ (3,849)	$ (3,849)			
Net Transfers/Advances in (Out)	$ 943	$ (1,761)	$ 1,696	$ (250)			
Beginning Cash Balance	$ 1,984	$ 630	$ 4,611	$ 1,066	$ (2,044)	$ (2,279)	$ (2,147)
Ending Cash Balance	**$ 630**	**$ 4,611**	**$ 1,066**	**$ (2,044)**	**$ (2,279)**	**$ (2,147)**	**$ (3,111)**
Budget Reserve	$ 551						
Outstanding Encumbrances	$ 1,514	$ 793	$ 700	$ 700	$ 700	$ 700	$ 700

[1] Auditor of State's Office Local Government Service's Estimate, March 12, 2003

[2] ODE Consultant's Estimate, October 23, 2003

Financial Recovery Plan Assumptions

Revenues

General Property Tax

The forecasted amount for FY 2003-04 is based upon the most recent information provided by the Cuyahoga County Auditor on the August 25, 2003 Amended Official Certificate of Estimated Resources. Revenue for FY 2001-02 reflects the effect of the reappraisal of real property for East Cleveland. A triennial update of real property values will occur in Cuyahoga County in FY 2004-05, and may produce revenue growth from the inside millage rate assessed in Tax Year 2003.

The Ohio Department of Taxation estimated a decline of approximately $580,000 in property tax revenue for FY 2005-06 due Senate Bill 3, the Electric Utility Deregulation Bill. However, the

District will be reimbursed the full amount lost each year (totaling approximately $193,000) through August 2006.

The amounts forecasted for FY 2004-05 through FY 2007-08 represent a 0.3 percent decrease based on the average percent change from FY 2001-02 to FY 2003-04.

Tangible Personal Property Tax

The tangible personal property tax forecast for FY 2003-04 was based upon the most recent information provided by the Cuyahoga County Auditor. The amounts forecasted for FY 2004-05 through FY 2007-08 represent a 3.0 percent decrease based on the average percent change from FY 2001-02 to FY 2003-04.

Unrestricted Grants in Aid

State foundation payments are calculated by the Ohio Department of Education on the basis of current pupil enrollment. The per pupil foundation amount for FY 2003-04 is $5,058. The anticipated revenue for FY 2003-04 and FY 2004-05 is based the July 2, 2003 ODE Simulation Reports. Using the simulation, the amounts forecasted for FY 2005-06 through FY 2007-08 represent a 2.0 percent decrease each year based on declining enrollment and a reduction in equity aid.

Restricted Grants in Aid

The anticipated revenue for FY 2003-04 and FY 2004-05 is based on the July 2, 2003 ODE Simulation Reports. Using the simulation, the amounts forecasted for FY 2005-06 through FY 2007-08 represent a 10.0 percent increase each year based on parity aid, vocational education funding and DPIA projections.

Property Tax Allocation

The amounts forecasted for FY 2004-05 through FY 2007-08 represent a 2.0 percent annual decrease based on the average percent change from FY 2001-02 to 2003-04.

All Other Revenues

The FY 2002-03 Medicaid/CAFS figure includes $81,000 in reimbursement from 1998. Therefore, the District only received approximately $338,000 in reimbursements for that year. If the District began charging for at least 9 out of 12 eligible services, as recommended in **R2.7,** the District could realize a $163,000 beginning in FY 2003-04. CAFS reimbursements would increase 3.0 percent each additional year, based on the increased billing. This is reflected in the forecast.

Tuition from other schools is projected to decrease by 3.0 percent each year based on the difference between FY 2001-02 and FY 2002-03, and investments and classroom fees are projected to increase by 2.0 per each year based on the FY 2001-02 level.

Miscellaneous revenue is projected to increase 3.0 percent increase each year based on FY 2001-02. This also includes a one-time refund of Federal Fuel Excise Tax (**R5.15**) in FY 2003-04.

Advances In

The General Fund is expected to receive reimbursements which represent payments for amounts loaned to other funds in the prior fiscal year that are being repaid to the General Fund in the forecast year. ECCSD does not expect to borrow from other funds to cover the current deficit.

Expenditures

Salaries & Wages

In FY 2003-04, the District reduced staffing levels by 102.3 FTEs because of the $7.7 million projected deficit. This resulted in approximately $1.2 million in savings. Based on these reductions, ODE averaged the results attained from four separate methods used to calculate the cost of salaries for FY 2003-04 and FY 2004-05. These methods include the following:

1.   Historically, the costs of salaries and wages have increased at an annual rate of 1.04 percent. This trend was extended into the forecast period.

2.   Certified staff salaries are based on a contract with the East Cleveland Education Association. The contract covers the period of April 4, 2002 through April 3, 2005. Under this contract, staff will receive a base increase of 2.0 percent for FY 2003-04 and 3.0 percent for FY 2004-05, along with a step increase of approximately 3.5 percent. Ohio Association of Public Service Employees (OAPSE) Chapter 181 represents classified staff. The OAPSE contract is effective from July 1, 2001 to June 30, 2004. Where appropriate, classified staff will receive step increases of 3.0 percent for FY 2003-04. Calculations were derived, based on   negotiated increases and the historic trend reflected in Method 1.

3.   During FY 2002-03, teacher salaries were 64.6 percent of total salary expenditures. The total teacher salaries for FY 2003-04 were estimated to be $19.6 million based on total salary expenditures. Therefore, the District could expect total salaries and wages to be $30.3 million.

4.   An estimate for the last 10 months of FY 2003-04 was developed based on 16.7 percent of the year elapsed.

The averages of the four methods developed by ODE were used as the base for the FY 2003-04 and FY 2004-05 projections. These figures were further reduced using staffing recommendations from this audit. These reductions total approximately $2.3 million in FY 2004-05 and FY 2005-06 and are found within **R3.A**, **R3.4**, **R3.9**, **R5.1**, and **R7.5**. Further, **R4.26** and **R4.39** recommend an additional $1.3 million in custodial staffing reductions beginning in FY 2006-07.

Fringe Benefits

Historically, ECCSD fringe benefits have been 27.0 percent of salary and wage expenditures. However, due to increasing health insurance and retirement costs, the fringe benefit totals have been calculated at 30.0 percent of salary and wages throughout the forecast period. Also included in the projection are annual reductions due to enrollment in only one dental plan (**R3.13**) and a proposed 10.0 percent employee contribution for all health insurance plans (**R3.14**). Both recommendations are subject to negotiation with the collective bargaining units set to take place during FY 2004-05.

Purchased Services

Purchased services within the District increased by 13.2 percent between FY 2001-02 and FY 2002-03. However, due to ECCSD's deficit situation and the installation of the Commission, purchased service spending will be scrutinized and should only increase at an estimated 3.0 percent each year or the estimated rate of inflation. Further, the performance audit recommends $1.4 million in potential annual savings (**R2.12**, **R2.23, R2.35, R2.39, R3.11** and **R7.5**).

Supplies, Materials and Textbooks

This category decreased from FY 2001-02 to FY 2002-03 by approximately $500,000 due to a large textbook purchase in the prior year. Like purchased services, this category is projected to increase at the rate of inflation or 3.0 percent annually from FY 2002-03.

Capital Outlay

Expenditures are estimated to increase by 3.0 percent annually based on the FY 2002-03 amount. The 3.0 percent increase reflects the costs of inflation.

Other Expenditures

Other expenditures include dues and fees, insurance payments, judgments, taxes and assessments. A decrease from FY 2001-02 to FY 2002-03 is primarily due to decreased County Auditor and Treasurer costs for property tax collections. This category is also estimated to increase by 3.0 percent annually based on the FY 2002-03 amount.

Net Transfers and Advances In and Out

These estimates were developed by ODE.
Encumbrances and Fund Balance Reserves

The encumbrance totals for FY 2003-04 and FY 2004-05 were estimated by ODE and projected forward. No fund balance reserves are projected after FY 2001-02.

Issues Requiring Further Study

The purpose of this follow-up audit was to assess the status and implementation of recommendations made in the 1999 performance audit. During the course of the audit, several issues arose that were not included in the scope, but warrant further study.

- **Revenues and Expenditures:** Despite the $5.4 million in cost savings identified within this follow-up performance audit, the scope limited the analysis of all expenditures. Therefore, the District and Commission should carefully examine the following expenditure areas: purchased services; supplies, materials and textbooks; capital outlay; and miscellaneous expenditures.   The District and Commission should also examine potential revenue sources such as grants and loans.

- **Governance:** The results of the performance audit indicate that the Board of Education and top administrators have not provided adequate financial oversight, which has contributed to the District's current fiscal situation. ECCSD would benefit from a study of the organization and responsibilities of the Board and the District's top administrators. This should include committee structure, Board meeting processes, reporting, and ethics.

- **Travel, Meeting, and Personal Expenditures:** The District does not have effective policies outlining acceptable and reimbursable expenditures related to travel and meetings (**R2.29**).   Due to the District's current fiscal emergency, these types of expenditures should be greatly reduced and heavily scrutinized. This includes an analysis of types of travel being approved, limits to meals and lodging costs, and the resulting impact on substitute costs. Furthermore, the District should study the use and cost of District cell phones, pagers, computers and other equipment given to Board members and administrators.

- **CAFS / Medicaid**:   ECCSD is not receiving CAFS / Medicaid reimbursements at the level for which it is eligible, as illustrated in **R2.8**. The District should further study the internal processes and procedures used by staff to document their work with Medicaid-eligible students to ensure all applicable reimbursements are received.

- **Vendors and Consultants**: An examination of all vendors and consultants should take place to determine if the proper purchasing and contract management processes were followed.

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Financial Systems

Summary

The East Cleveland City School District (ECCSD) fully implemented 6 (12 percent) and partially implemented 19 (36 percent) of the 52 recommendations issued in the 1999 Performance Audit. The most significant areas where implementation occurred were in the development and implementation of the District's Continuous Improvement Plan (**R2.1**), which serves as the comprehensive strategic planning tool for ECCSD. The Continuous Improvement Plan's impact can be attributed to the increased instructional spending per pupil with the District (**R2.13**). ECCSD was also successful in developing policy and procedure manuals for purchasing (**R2.32**) and payroll (**R2.45**) functions. These manuals have helped the District to formalize purchasing and payroll policies and procedures, and to communicate this information to frequent users.

However, the District did not implement 27 (52.0 percent) of the recommendations issued in the 1999 Performance Audit. As a result, reporting, internal controls, and financial oversight continue to be inadequate and financial information is sometimes inaccurate. This has led the District to make excessive, and often, unnecessary expenditures which, coupled with inadequate overall management controls, have contributed to the District's current financial circumstances.

The District's financial accountability is significantly deficient due to an absence of accurate and comprehensive financial reports. ECCSD does not produce accurate five-year forecasts (**R2.4**), an informative budget document (**R2.10**), or a comprehensive annual financial report (**R2.23**). Furthermore, the financial packages given to the Board of Education are often lacking timely and sufficient fiscal reports to enable it to make informed decisions or to be accountable for the District's financial situation (**R2.22**).

Financial accountability is also compromised because of weak fiscal oversight by the Board and administrative staff. ECCSD has not taken steps to form a Business Advisory Committee (**R2.8**), a Staff Allocation Committee (**R2.14**) or an Audit Committee (**R2.24**). Furthermore, internal controls have not been fully developed and formalized within District policy. Needed policies include the expansion of the permanent appropriation measure policy (**R2.17**), the legal level of control (**R2.18**), and the development of a policy determining system controls (**R2.20**). Ineffective fiscal oversight has led to inadequate reimbursement levels, especially CAFS/Medicaid reimbursements (**R2.7**). Expenditures often go unquestioned at all levels of District management, especially in the area of contracted services (**R2.12, R2.37** and **R2.38**).

The following table summarizes the performance audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained within this section of the follow-up performance audit report.

Financial Implications Table

	Recommendations	Estimated Cost Savings (Annual)	Revenue Enhancements
R2.7	Increase the CAFS reimbursement by charging for at least nine out of 12 eligible services.		$163,000
R2.12	Bring professional and technical services discretionary expenditures in line with surrounding district's percentage.	$1,200,000	
R2.23	Prepare GAAP statements in-house rather than contracting it out.	$36,000	
R2.35	Conduct annual fixed asset inventories in-house rather than contracting it out.	$16,000	
R2.39	Conduct reconciliation of accounts in-house rather than contracting it out.	$28,000	
Total		**$ 1,280,000**	**$163,000**

Recommendations / Implementation Assessments

Financial Planning

R2.1   **The District should update portions of the 1994-95 strategic plan to include financial implications and new meaningful long-range goals and objectives. Long-range collective bargaining strategies should be discussed and facility utilization and capital needs should be incorporated. The updated plan should include both implementation and resource allocation schedules. Short-range plans and budgets should be developed to be consistent with these long-range parameters.**

Goals and objectives should be established for instruction, support services and administration, incorporating such factors as student assignments, student-teacher ratios, facilities utilization and capital needs, and should serve as the foundation upon which the annual budget and the five-year forecast is built. This information should be linked to the District's *Economy and Efficiency Plan,* and the District should reestablish its practice of holding quarterly meetings and using progress reports.

District's 1999 Economy and Efficiency Plan Response

The District has taken steps to implement the recommendation to update the 1994-95 strategic plan to include new meaningful long-range and short-term goals by developing a District Continuous Improvement Plan. The District Continuous Improvement Plan will provide the educational vision that the District will tie to financial implications to allocate the District's resources. The District Continuous Improvement Plan was filed with the Department of Education on September 1, 1999.

The District will establish a Business Advisory Council (BAC) by February 1, 2000. The committee along with staff and community will give input into the District's long-range financial plan. The superintendent and treasurer will present an educational plan along with the financial implications to the Board of Education. The financial implications will be integrated into the five-year plan of the District.

Implementation Status

The District developed its first Continuous Improvement Plan (CIP) during FY 1999-00, which serves as the District's formal strategic plan. The plan detailed tasks, responsibilities, resources, timelines, process indicators and needed student academic improvement in the following focus areas:

- Leadership,
- Strategic Continuous Improvement Planning,
- Student and Stakeholder,
- Information and Analysis,
- Faculty and Staff,
- Educational Program and Operational Support Processes, and
- District Performance Results.

The CIP has five major goals representative of key areas by which strategies and interventions will be focused. The following is the list of District CIP goals:

- Improve student performance as measured by proficiency tests and the District comprehensive assessment program. The overall average of 2.5 percent increase in performance will be met by improving proficiency test scores in all areas by 12.5 percent per year;

- Improve graduation rates;

- Continue to review and analyze the District's consolidated local plan to support building CIPs;

- Continually review and implement effective schools process; and

- Continue to improve and increase parental involvement throughout the District.

Implementation Assessment

The District attributes the improvement in proficiency test scores and graduation rates to the CIP. For FY 2002-03, the District achieved a 1.6 percent increase in its performance index score over the previous year. ECCS also scored six points on the Annual State Report Card, four points higher than FY 1998-99. Furthermore, the graduation rate in FY 1994-95 was 45.2 percent, which increased to 52.9 percent in FY 2002-03.

Although the CIP lists potential financial resources for its identified tasks, it does not identify estimated amounts, and the CIP is not used to develop the five-year financial forecast for the District (see **R2.4**). By not identifying and forecasting potential financial implications of CIP tasks and goals, the District is limited in its ability to effectively tie its strategic plan to the operational budget and its five-year financial outlook.

Furthermore, the CIP does not mention facilities utilization issues or address capital needs, despite the current reconstruction and renovation project occurring within the District. Since ECCSD has not developed a Capital Improvement Plan (see **R2.2** and

R4.2), it has not been able to link its overall capital and facility needs with its strategic plan. This limits the District's ability to adequately identify and address building CIP goals that rely on facility and equipment use.

Conclusion

*The District has **partially implemented** this recommendation.* ECCSD's CIP has effectively served as a tool to guide the District toward student academic performance improvement. The strategic plan for the District has the involvement of all key stakeholders, and it clearly has mechanisms to communicate the plan's short and long-term goals and objectives.

To further improve on the Continuous Improvement Planning process, ECCSD should add estimated financial implications and identify facility use issues and capital needs within its existing focus areas. Not only should the CIP be the foundation for the District's budget process (**R2.11**), but it should also serve as the basis of the five-year financial forecast (**R2.4**). The CIP should also incorporate priorities identified in the District's Capital Improvement Plan (**R4.2**).

R2.2 **ECCSD should develop a comprehensive capital needs plan. The plan should prioritize facility, maintenance and equipment needs and be updated annually for Board approval. The plan should include (1) a five-year projection of anticipated capital needs, (2) prioritization and quantification of these needs, and (3) identification of available resources to fulfill the needs. The elements of the plan should be incorporated into the five-year forecast and annual budget.**

District's 1999 Economy and Efficiency Plan Response

The District will establish a committee to review the maintenance and equipment needs of the District, including buses. The committee will develop a comprehensive maintenance plan. The recommendations of the committee will include financial implications to the District as well as identify potential funding sources.

Implementation Status, Assessment and Conclusion

*The District has **not implemented** this recommendation.* See **R4.2, R4.5** and **R5.15**

R2.3 **The District should revise Board policies to formally assign the forecasting responsibilities to the treasurer. The District should expand its policies governing the financial planning process to include the following:**

- **A time table, including when the treasurer should present the forecast to the Board;**

- A set of instructions for the treasurer and those responsible for accumulating or disseminating financial information; and

- The controls necessary to ensure the accuracy of the forecast and specify when the treasurer should formally present the forecast to the Board.

When deciding what content should be presented in the forecast, the Board should consider additional information which is not required under current state law. The financial forecast should present more detailed historical and projected financial information, as well as the inclusion of detailed accompanying assumptions, explanatory comments, and the methodology used in deriving the financial estimates. Specifically, the types of relevant information provided should include, but not be limited to, the following:

- Historic and projected inflation rates.
- Explanation of significant variances between forecasted and actual amounts.
- Comparable external averages and benchmarks and internal financial objectives.
- Historic and projected enrollment and Average Daily Membership.
- Information about facility utilization (anticipated building closures or need for additional leased space or purchase of portable classroom units).
- Detailed description of the components of State foundation revenue.
- Detailed description of the components of other revenue, especially the portion related to DPIA.
- Description of the District's efforts to obtain reimbursement for eligible expenditures.
- Historic and projected staffing by position.
- Description of the District's efforts to control fringe benefits costs, especially those related to health care and workers' compensation.
- Historic and projected expenditures for main components of purchased services, materials and supplies, and other expenditures, specifically identifying the amounts fulfilling minimum State requirements.
- Description of projected capital outlay expenditures, identifying amounts related to routine maintenance, specific projects and fulfilling minimum state requirements.
- Description of debt service obligations and the impact of year-end encumbrances.

The forecast should clearly articulate to what extent State spending requirements for capital maintenance and instructional supplies have been included and whether any of the spending requirements are expected to be met through another fund, such as capital improvements. It should present an analysis of anticipated revenue

increases and any resulting reserve requirements. The District should quantify the costs associated with programs needed to meet the educational outcomes required in Senate Bill 55, such as standards for attendance and proficiency test results and new graduation requirements and discuss them in the accompanying notes.

District's 1999 Economy and Efficiency Plan Response

As required by House Bill 412, the treasurer has revised the District's five-year projection and continues to incorporate more historical detail.

House Bill 412 has defined time lines by which the Board of Education must approve the District's financial forecast. Utilizing a more detailed five-year forecast provides the Board of Education with the opportunity to analyze the District's financial position and hopefully reach better management decisions.

The forecast identifies set-asides for supplies and textbooks, capital improvements, and budget reserve. The treasurer will incorporate the findings of various committees to continually update the set-asides.

Implementation Status

The ECCSD Board adopted a revised policies and procedures manual on January 10, 2000, which includes a policy stating, "the superintendent and treasurer are responsible for preparing financial forecasts for at least five years beyond the current fiscal year."

Since the District was declared to be in Fiscal Emergency on March 12, 2003, the ECCSD's treasurer has been preparing the five-year forecast with the aid of a consultant from the Ohio Department of Education (ODE). The forecast assumptions are based on historical trends and new developments within the District.

Implementation Assessment

ECCSD formally assigned the forecasting responsibilities to the superintendent and the treasurer. However, the policy was vague and lacked key elements, such as:

- A time table, including when the treasurer should present the forecast to the Board; and

- A set of instructions for the treasurer and those responsible for accumulating or disseminating financial information.

Furthermore, the District did not implement policies and procedures on the contents of the forecast; how it should be presented to the Board; and what is required to be included in the presentation. As clear guidelines are not available for the treasurer, superintendent and Board, materially necessary information has been excluded (see **R2.4**).

Conclusion

*The District **partially implemented** this prior recommendation.* The ECCSD Board of Education should expand its policy for financial forecasting to include:

- A time table in accordance with Ohio Administrative Code (OAC) § 3301-92-04(A), which requires the adoption of an annual appropriation measure no later than October 31 of each fiscal year.

- Instructions for accumulating and disseminating financial information.

- A description of what information is required to be included to ensure completeness and consistency in compliance with ORC and OAC.

- A definition of which method the District is going to use for establishing set asides for capital needs (ORC § 3315.18) and textbooks (ORC § 3315.17).

- Detailed historical and projected financial information, as well as the inclusion of detailed accompanying assumptions, explanatory comments, and the methodology used in deriving the financial estimates.

- Procedures to ensure the accuracy of the information presented.

The five-year forecast serves as a strategic planning tool for the District. The District should develop and adopt clear, concise instructions for the preparation of the forecast and what needs to be included.   Detailed instructions eliminate the need to use individual judgment and aid in ensuring that all pertinent information is obtained and included.

R2.4   The treasurer should take steps necessary to ensure the financial forecast is a reliable representation of the District's financial position. Specifically, the treasurer should revise the forecast for the issues noted above (R2.3), as well as develop reliable assumptions to project future revenue streams taking into account the most recent property valuations, the current State funding formula, historical trends and other aspects that may affect revenues. Prior to submitting the final forecast to ODE, the document should be updated to include the following:

- **Reliable revenue and expenditure estimates,**
- **Yearly estimates for transfers and advances in/out,**
- **Outstanding encumbrances,**
- **Detailed explanations of the methodology used in deriving significant figures and assumptions,**
- **A formal review by the finance committee, and**
- **Adoption by the Board.**

District's 1999 Economy and Efficiency Plan Response

The District submitted a final document of the five-year forecast in January 1999 and a revised copy in June 1999 as required by House Bill 412. The document was approved by the Board and filed with the Department of Education.

Implementation Status

The five-year forecast was submitted as required by law. The five-year forecast can be updated as needed, and the last update, completed by an interim treasurer, was submitted to ODE on October 24, 2003. In October 2003, the treasurer's contract expired and was not renewed.

Since the District has been declared in Fiscal Emergency, the treasurer is working with ODE to revise the five-year forecast based on the District's financial challenges. Assumptions are based on historical data and adjustments are based what is deemed obtainable for the District. **Table 2-1** is the five-year forecast the treasurer developed on August 11, 2003:

Table 2-1: East Cleveland City School District Five-Year Forecast

	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
	FY 1999-00 (in 000's)	FY 2000-01 (in 000's)	FY 2001-02 (in 000's)	FY 2002-03 (in 000's)	FY 2003-04 (in 000's)	FY 2004-05 (in 000's)	FY 2005-06 (in 000's)	FY 2006-07 (in 000's)
Real Estate Property Tax	$ 10,306	$ 9,266	$ 9,023	$ 9,071	$ 8,835	$ 8,923	$ 9,013	$ 9,103
Tangible Personal Property Tax	$ 1,229	$ 1,274	$ 1,772	$ 1,661	$ 1,700	$ 1,400	$ 1,400	$ 1,400
Unrestricted Grants-in-Aid	$ 28,469	$ 28,370	$ 25,990	$ 26,608	$ 27,033	$ 27,303	$ 27,576	$ 27,852
Restricted Grants-in-Aid	$ 4,874	$ 7,453	$ 8,487	$ 8,304	$ 8,419	$ 9,432	$ 8,482	$ 8,482
Property Tax Allocation	$ 1,252	$ 1,232	$ 1,278	$ 1,252	$ 1,200	$ 1,200	$ 1,200	$ 1,200
Other Revenues	$ 1,278	$ 1,246	$ 1,131	$ 1,160	$ 948	$ 952	$ 947	$ 947
Total Operating Revenues	**$ 47,407**	**$ 48,841**	**$ 47,682**	**$ 48,056**	**$ 48,197**	**$ 49,211**	**$ 48,618**	**$ 48,984**
Personal Services	$ 31,898	$ 33,084	$ 31,965	$ 32,046	$ 29,094	$ 30,549	$ 32,076	$ 33,680
Fringe Benefits	$ 6,939	$ 8,653	$ 8,363	$ 8,186	$ 7,564	$ 7,943	$ 8,340	$ 8,757
Purchased Services	$ 7,652	$ 7,223	$ 7,017	$ 7,943	$ 8,833	$ 7,800	$ 7,800	$ 7,800
Supplies, Materials & Textbooks	$ 1,642	$ 1,708	$ 1,602	$ 1,020	$ 1,198	$ 1,150	$ 1,150	$ 1,150
Capital Outlay	$ 777	$ 496	$ 313	$ 450	$ 106	$ 100	$ 100	$ 100
Other Expenditures	$ 505	$ 664	$ 788	$ 724	$ 650	$ 650	$ 650	$ 650
Total Operating Expenditures	**$ 49,412**	**$ 51,828**	**$ 50,048**	**$ 50,371**	**$ 51,294**	**$ 52,040**	**$ 50,116**	**$ 52,137**
State Fiscal Emergency Loan				$ 7,698	$ (3,849)	$ (3,849)		
Net Transfers / Advances – In/Out	$ (523)	$ (440)	$ 944	$ (1,761)	$ (204)	$ (700)	$ (700)	$ (700)
Beginning Cash Balance	$ 7,164	$ 4,992	$ 1,984	$ 652	$ 4,631	$ 1,410	$ (2,039)	$ (4,158)
Ending Cash Balance	**$ 4,992**	**$ 1,984**	**$ 652**	**$ 4,631**	**$ 1,410**	**$ (2,039)**	**$ (4,158)**	**$ (7,931)**
Outstanding Encumbrances	$ 792	$ 935	$ 587	$ 793	$ 800	$ 1,000	$ 1,000	$ 1,000
Ending Fund Balance	**$ 4,200**	**$ 1,050**	**$ 65**	**$ 3,837**	**$ 610**	**$ (3,039)**	**$ (5,158)**	**$ (8,931)**

Source: Treasurer's drafted five-year forecast: August 11, 2003

The financial projections in **Table 2-1** present the expected revenues, expenditures and fund balance of the General Fund of East Cleveland CSD for each of the fiscal years including June 30, 2003 through June 30, 2007, with historical (unaudited) information presented for the fiscal years ended June 30, 2000, 2001 and 2002. Major assumptions developed by the treasurer are presented below:

Revenues

- Real estate taxes are based on the most recent information provided by the Cuyahoga County Auditor. The County Auditor's Office noted that property valuation has decreased since last year, and delinquent taxes have increased for the City of East Cleveland. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

  Revenue for FY 2003-04 reflects the effect of reappraisal of real property for East Cleveland in tax year 2000 (collection year 2001.) The next significant impact on real property valuations will occur in FY 2005-06. This update may produce revenue growth from the inside millage rate collection in tax year 2003 (collection year 2004.) The forecast amount for FY 2003-04 represents a one percent increase over FY 2002-03.

- Due to the reduction in assessed valuation of the inventory component of personal property tax by one percent each year over the next 25 years (HB 283), the forecast for FY 2003-04 is held at the same level. This assumption is based on the expectation that the decline in inventory valuation will be offset by increases in total personal tangible personal property tax collection.

- Basic foundation payments are calculated by ODE on the basis of pupil enrollment, plus other factors as reported on the District's SF-3. The District's enrollment is averaged due to a declining enrollment since 1998. Therefore, the decline in student enrollment per the District's projections is 62 students. The difference in student enrollment projections is estimated to increase the gross foundation $617,982 over the State's projected revenue. ECCSD anticipates a two percent increase each year due to the increased per pupil amount and stabilizing the District enrollment for the remaining years. The foundation estimate shows an increase in special education funding and transportation funding.

- The State restricted grants category includes a decrease in DPIA funding of $356,659 and decrease in Equity funding of $365,339. Equity funding is declining and is expected to cease in FY 2006-07. Parity aid increased by $901,323 for FY 2002-03.

- Earnings on investments are forecast to decline due to low interest rates and low balances. CAFS Medicaid reimbursements also declined in FY 2002-03. ECCSD is expecting the reimbursements to remain stable at $300,000 for the remaining forecasted years. The District implemented open enrollment for FY 2002-03 and collected $191,000 from students attending the District from other school districts. The amount represents approximately 40 students. The District does not

anticipate an increase in this amount resulting from space limitations due to the Ohio School Facilities Commission school construction project underway within the District.

- Advances represent amounts loaned to other funds in the current or prior fiscal year which are being repaid to the General Fund. The District was declared to be in fiscal emergency in March 2003, and ECCSD was advanced $7.7 million by the State against future foundation money. The advance will be repaid over a two year period.

Expenditures

- Certified staff salaries are based on a contract with the East Cleveland Education Association. The contract covers the period of July 1, 2002 through June 30, 2005. Under this contract, certified staff will receive a base increase of 3.0 percent for FY 2002-03, 3.0 percent in FY 2003-04, and 2.0 percent for FY 2004-05 along with a step increase of approximately 2.3 percent.

  The Ohio Association of Public Service Employees (OAPSE) Chapter 181 represents classified staff. Where appropriate, staff will also receive step increases, with base increases of 2.0 percent for FY 2002-03 and 3.0 percent for FY 2003-04.

- For the forecast years, retirement, workers' compensation and Medicare costs are expected to increase in relation to the increases in salaries and wages. Health care costs are based on coverage terms with premium costs projected to increase at a rate of 27 percent annually.

- Recent increases in utility services are due to the increase in the cost for natural gas and water. Insurance costs will increase due to the addition of fire insurance. Other increases include: legal costs dues to negotiations, tuition payments to community schools, excess costs and transportation costs. The District is also estimating a $600,000 liability from the building project.

- Expenditures for general supplies, textbooks, supplies and materials for operations, maintenance and repairs for motor vehicles are anticipated to decrease during the forecast period. The District has implemented budget cuts to absorb any anticipated increases.

- Transfers out and advances out will remain constant. The District advanced $1,000,000 from the Bond Retirement Fund to the General Fund to close FY 2001-02. The advance was returned July 1, 2002.

Implementation Assessment

Although the District prepares five-year forecasts as required by law, the information was not checked for accuracy. In addition, the District did not adhere to its internal policy since the treasurer prepared the forecast by herself without input from the superintendent. A review of the five-year forecast dated August 11, 2003 noted the following deficiencies:

- The forecast showed incorrect and unaudited historical data;
- Reliable revenue and expenditure estimates were not used;
- Inflation was not accounted for;
- Detailed explanations of the methodologies used in deriving significant figures and assumptions were not provided;
- The forecast was not reviewed by a finance committee;
- The forecast did not provide for anticipated capital needs;
- The forecast did not explore the possibility of obtaining additional revenue sources;
- The forecast did not take into account the possibility of future lay-offs or building closings; and
- The amount used for outstanding encumbrances was incorrect.

A number of forecasts were developed by the District during the course of the performance audit. The first was dated January 13, 2003 and the last was amended on August 11, 2003. Another was submitted to ODE on October 24, 2003. During the course of this audit, six separate forecasts were developed. Each had significant differences, but the treasurer's assumptions remained essentially the same. **Table 2-2** shows the differences in balances for the five forecasted years in five of the six separate forecasts.

Table 2-2: ECCSD Five-Year Forecasts' Ending Fund Balance

Five-Year Forecast	January 13, 2003	February 10, 2003	May 20, 2003	June 20, 2003	August 11, 2003
Estimated FY 2002-03	$ (6,491,261)	$ 1	$ 2,894,804	$ 3,394,841	$ 3,837,298
Estimated FY 2003-04	$ (10,724,704)	$ (726,331)	$ (176,572)	$ 884,442	$ 610,110
Estimated FY 2004-05	$ (16,362,775)	$ (1,775,057)	$ (4,043,746)	$ (2,921,896)	$ (3,039,420)
Estimated FY 2005-06	$ (22,700,830)	$ (3,694,644)	$ (4,593,284)	$ (3,410,739)	$ (5,157,789)
Estimated FY 2006-07	$ (29,465,872)	$ (6,245,716)	$ (5,396,057)	$ (4,152,962)	$ (8,931,071)

Source: ECCSD treasurer

Large scale fluctuations in forecasted ending fund balances, without assumptions supporting the changes, make it difficult for the District to use effective financial planning.

Conclusion

*The District **has not implemented** this recommendation.* ECCSD's treasurer and superintendent should work together to ensure the financial forecast is a reliable representation of the District's financial position. Prior to submitting the final forecast to ODE, the forecast should be updated and reviewed to ensure the following occurs:

- Develop various "what if" scenarios (**R2.5**) (i.e., with or without a levy; with or without layoffs throughout the District, and/or renegotiating the contractual agreements).

- Enact steps to ensure revenue and expenditure estimates are reliable, such as using trend analysis when projecting, or obtaining the county auditor's certified rates for the upcoming year.

- Use the prior audited financial totals to ensure that historical data is correct by comparing the information presented to the audited financial statements.

- Ensure that all potential changes within the District are included, such as major layoffs, new construction projects, new developments within the area, etc.

- Develop accurate yearly estimates for transfers and advances in/out.

- Ensure that outstanding encumbrances are complete.

- Include detailed explanations of the methodologies used in deriving significant figures and assumptions.

- Include a projection for anticipated capital, maintenance and equipment needs.

- Ensure an adequate review by the finance committee.

- Include adoption by the Board on a timely basis.

A five-year financial forecast process containing the items listed above will provide a more accurate picture of the District's anticipated revenue and expenditures. A more accurate forecast will help the District to better prepare for its future needs and avoid future deficits. See the **Executive Summary** for a financial recovery plan for ECCSD.

R2.5   ECCSD should create several forecasts using various "what-if" scenarios to develop appropriate action plans to deal with the financial situation the District is facing in the coming years. The District should focus its attention on managing and reducing operating costs rather than relying on the community to provide additional tax dollars. The recommendations contained within this performance audit could be used identify areas where cost savings could be realized.

District's 1999 Economy and Efficiency Plan Response

ECCSD is in the process of aligning the Continuous Improvement Plan to the financial resources of the District. The District is developing action plans to manage costs and reduce spending.

Implementation Status, Assessment and Conclusion

*ECCSD has **not implemented** this recommendation.* See **R2.4**

R2.6   The District should take advantage of every funding source available to repair and renovate the District's facilities. The District should ensure that at least one individual is responsible for locating and determining eligibility of capital grants.

District's 1999 Economy and Efficiency Plan Response

A bond issue that was passed in November 1997 was for the $10.5 million District set-asides for capital improvement. The District has reinstated the position of director of research and development whose responsibility is to locate and determine eligibility for capital grants.

Implementation Status, Assessment and Conclusion

*ECCSD has **not implemented** this recommendation.* See **R4.2** and **R4.5**

R2.7   ECCSD should pursue other Medicaid reimbursable areas provided for in the Community Alternative Funding System (CAFS) program. The District should also investigate if the county Department of Job and Family Services can process denied claims. The District should also pursue claims that are denied because of third party coverage. ECCSD should reassign Title IV-B funds to other programs not subject to reimbursement under the CAFS program. Direct costs associated with the administration of the CAFS program are Medicaid reimbursable, and ECCSD should closely monitor their total reimbursements received after the interim settlement to ensure they are fully reimbursed.   Finally, the District should review the 1998 cost report to ensure costs were properly reported and review service documentation to ensure all CAFS services are properly documented.

District's 1999 Economy and Efficiency Plan Response

The District pays Healthcare Billing Services (HBS) to bill Medicaid for services provided to eligible students. Reports issued by HBS indicate that the District could be more efficient in completing reports. These reports would equate to increased reimbursement from Medicaid.

The District will review the past year's activity with HBS to determine areas of improvement. Staff will be continually trained in preparing reports. Additionally, staff will be held accountable for submitting timely reports for reimbursements. HBS will be asked to review the progress made and propose a course of action.

Implementation Status

In July 2001, ECCSD switched Medicaid consultants from Healthcare Processing Consultants to Sylvester Bennett, a former ECCSD employee. Mr. Bennett was initially contracted to prepare the excess billing for the District, and he was then asked to take on the responsibilities of billing for the Medicaid reimbursements.

The 1999 Performance Audit reported that the District was requesting reimbursement in seven out of twelve possible service areas (nursing, speech audiology, psychology, occupational therapy, physical therapy, clinical social work/counseling, and service coordination). Currently the District is only requesting reimbursement in five out of the twelve possible service areas (nursing, speech audiology, psychology, occupational therapy, and physical therapy), resulting in a reduction in claims since 1999. In FY 2001-02, the District received $471,500 in Medicaid reimbursements, which included $80,906 from FY 1997-98 cost report adjustments. Additional errors were reported by the Ohio Department of Jobs and Family Services (ODJFS) for which the District has either received or will be receiving adjustments.

Mr. Bennett has not implemented an information system capable of processing claims that meets the Health Insurance Portability and Accountability Act (HIPAA) requirements. He is in the process of working with the District to purchase the software for the system, but he has not been trained on the requirements of HIPAA or how they will impact the District.

Implementation Assessment

The District did not attempt to pursue claims that were denied because of third party coverage, and administrative costs were not monitored to ensure full reimbursement. Furthermore, reimbursement was only requested in five out of twelve eligible service areas, which is down from the seven areas in 1999. **Table 2-3** compares ECCSD with

surrounding District's relative to the number of service areas for which they receive reimbursement.

Table 2-3: Comparison of CAFS/Medicaid Reimbursements

	ECCSD	CH/UHSD	Euclid CSD	WHCSD	Peer Average
2002-03 Enrollment	5,177	6,821	5,992	2,841	5,218
Percent of Economically Disadvantaged (ED) Students	72.7%	42.9%	33.0%	7.8%	27.9%
Number of ED Students	3,764	2,926	1,977	222	1,456
Total FY 2002-03 CAFS Reimbursements	$408,305	$754,524	$352,425	$70,475	$392,475
Reimbursements per ED Student	$108	$258	$178	$317	$270
No. of Eligible Services Receiving Reimbursement (out of 12)	5	11	8	8	9

Source: ODE 2002-03 District Report Cards and the Ohio Department of MRDD Division of Information Systems

Table 2-3 illustrates that during FY 2002-03, ECCSD received far less in CAFS reimbursements per economically disadvantaged student than the surrounding districts. On average, the surrounding districts receive 40 percent more in CAFS reimbursements than ECCSD. Based the number of economically disadvantaged students, which are those most likely to be Medicaid eligible, the District is potentially not filing for or receiving reimbursements for a large number of eligible services.

Additional problems were determined to exist within the Medicaid reimbursement process based on interviews with ECCSD's current and former consultants and representatives from ODJFS. The issues are as follows:

- The consultant does not have a valid written contractual agreement outlining performance requirements (see **contract management** section).

- District management and the consultant did not project a reasonable amount expected to be collected on an annual basis.

- The consultant has not been included in the CIP process to determine if additional reimbursable services could be provided to students.

- A settlement in the amount of $80,906 from FY 1997-98 was received during FY 2001-02 and included in the revenue for that year, which resulted in the District reporting inflated reimbursement revenues.

- Required documents were not being turned in by providers, which prevent the consultant from being able to bill for the services provided.

- Providers have not completed standard forms. The recording of what services were provided, the amount of time taken, whom the service was provided for, and Medicaid eligibility, was not consistent.

- Provider information was sometimes not given to the consultant for billing purposes. In some cases, this was because providers had not completed the information or provided documentation to the District. District management has not developed methods to enforce documentation or ensure that it is provided to the District.

- The District has not prepared for or been trained on HIPAA requirements.

- The consultant has not obtained a workable knowledge of required HIPAA changes, such as the new billing requirements, required forms, or reporting requirements.

- The consultant has not purchased and implemented the new computer software program required as a result of HIPAA. Without this software, the District will not be able to bill for services rendered.

Conclusion

*ECCSD **has not implemented** this recommendation.* ECCSD should pursue reimbursement for all eligible service areas provided for in the CAFS program. The District should also consider the following:

- Develop a request for proposal for CAFS reimbursement services, select the most qualified vendor, and develop a contract with performance measures (see **contract management** section).

- Closely monitor total reimbursements received to ensure administrative costs are fully reimbursed.

- Prepare monthly reconciliations that include projected to actual totals, to determine if projections are accurate.

- Develop methods which would allow the District to identify eligible students in a timely manner and share this information between its various departments.

- Determine HIPAA requirements and their impact on the District.

- Ensure that the consultant has the proper equipment and software to fulfill his responsibilities.

- Train staff on documenting services provided.

- Ensure that required documentation is being prepared by providers and submitted in a timely manner.

- Develop methods and remedies for addressing providers who fail to complete and submit required documents, including potential penalties.

- Ensure that obtainable CAFS estimates are included in the budget and the Continuous Improvement Plan.

Financial Implication: The District should raise the number of areas claimed for reimbursement to at least nine. An increase of 40 percent, which could be achieved through better billing and documentation practices, would raise an additional $163,000 per year in reimbursements.

R2.8 **ECCSD should establish a Business Advisory Council (BAC). The BAC should specifically focus its collective expertise on the area of financial planning and could be responsible for developing and implementing a framework for integration of the strategic plan, the capital plan, the five-year forecast and the annual budget.**

District's 1999 Economy and Efficiency Plan Response

The District will create a BAC to serve as an Advisory Committee to the Finance Committee.

Implementation Status

ECCSD established a BAC in FY 2001-02. However, the committee has only met two times since inception. At these meetings, the committee was given an overview of the financial state of the District, but took no action on financial issues. The last BAC meeting was held in May of 2002.

Ohio Revised Code (ORC) § 3313.174 requires, "The board of education of each city and exempted village school district and the governing board of each educational service center shall appoint a business advisory council. The council shall advise and provide recommendations to the board on matters specified by the board…."

In the absence of a functioning BAC, ECCSD has been using its Continuous Improvement Plan (CIP) teams to act as liaisons between parents and the Board. The CIP teams include representatives from community businesses, school buildings, parents and the Board, and have been instrumental in assisting the District in achieving District goals (see **R2.1**). ECCSD's CIP identifies tasks, and potential sources of income to complete the tasks. However, it does not provide a framework for integration of the strategic plan, the capital plan, the five-year forecast and the annual budget. The CIP teams do not take an active advisory role in the area of financial planning and management.

Implementation Assessment

ECCSD's CIP committees assumed the responsibilities of BAC, but were not responsible for developing and implementing a framework for integration of the strategic plan, the capital plan, the five-year forecast and the annual budget. Nor did they assume the responsibilities of an advisory committee. The lack of an effective BAC limits the District's ability to effectively plan for the financial future of the District.

Conclusion

*The District **did not implement** this recommendation.* ECCSD should establish a Business Advisory Council, which would focus its collective expertise on the area of financial planning. BAC should work with the treasurer, superintendent, and the Board on developing and implementing a framework which will be used to integrate the strategic plan (CIP) (**R2.1**), and a capital plan (**R4.2**) for the District. Furthermore, once all the data is collected and developed for the CIP and the capital plan, the District could use the information to produce the five-year forecast (**R2.4**) and the annual budget (**R2.10**).

Budgeting and Management Reporting

R2.9 **The District should institute a forum to involve parents in the strategic planning and budgeting process at the school level. The forum would not be responsible for fund-raising activities, but would work with building and central administrators to determine the right amount of funding to fulfill program needs at individual schools.**

District's 1999 Economy and Efficiency Plan Response

The District does involve parents and community members in strategic planning and budgeting at the school level. The involvement is the result of federal programs in the District and the requirement of an annual Continuous Improvement Plan at the school building level.

This concept will be incorporated at the District level. The community will meet with the superintendent and key administrators to discuss the District plan and funding requirements to meet the plan. The superintendent will appoint the committee.

Implementation Status

ECCSD's Continuous Improvement Plan (CIP) serves as the District's formal strategic plan. ECCSD has developed committees with representation from parents, staff and community members who assist the District in making assessments in a variety of areas (see **R2.1**).

The District has involved parents through the CIP process. There are regular monthly meetings and frequent newsletters. A proactive report has been developed and distributed to all parents. At public hearings, parents, students and other community members are given a copy of the District CIP and are encouraged to ask questions.

Implementation Assessment

The District has been successful in its efforts to keep the community and parents informed of the District's operations. Community involvement through open communication allows ECCSD the opportunity to raise public awareness. Parental involvement in the strategic planning and budgeting process at the school level allows for greater input to the operations of those individual schools.

Although the CIP is effective in obtaining parental and community involvement, it is not an effective tool for assisting building and central administrators in determining the appropriate level of funding to fulfill program needs at individual schools. The CIP process identifies the areas where funding is needed, but does not look into funding methods and measures.

Conclusion

*The District **partially implemented** this recommendation*. ECCSD should continue to involve parents, staff and the community in District planning through the CIP process. However, the District should strive to allow parents to work with building and central administrators in determining funding requirements for academic programs.

R2.10 ECCSD should prepare a budget document containing detailed information, and supporting materials highlighting the District's goals, objectives and key issues for the ensuing fiscal year. The document should be made available to the public, and it should provide budget estimates and historical comparisons at both summary and line item levels of detail. Staffing levels and organization information should be shown, and charts and graphs should be included to increase the document's readability.

A narrative of recent accomplishments and the status of projects would provide a progress report on the implementation of the District's long-term plans. Fiscal and program priorities should be articulated and any changes in priorities explained, with the factors leading to the changes recounted. Financial trends and factors affecting the budget should be identified, including the long-range outlook, expected tax collections, State funding levels, anticipation of future borrowing, and significant use of or increase in fund balances. The budget document should include performance indicators, and the underlying assumptions pertaining to all significant disclosures should be noted.

District's 1999 Economy and Efficiency Plan Response

The treasurer will contact the Government Finance Officers Association (GFOA) for a copy of the compiled guidelines for the preparation of recommended budget documents. The documents will be shared with BAC and administration to determine the best presentation for the District.

Implementation Status

The annual budget was prepared in accordance with ORC § 5705.36 requirements. However, ECCSD did not prepare a budget in accordance with the 1999 Performance Audit recommendation. The budget did not contain detailed information or supporting materials highlighting the District's goals, objectives and key issues for the fiscal year. However, ECCSD provides detailed information on the District's accomplishments and rating status through the CIP process (see **R2.1**). Nevertheless, the CIP does not present detailed financial information reflective of an effective budget document.

Implementation Assessment

ECCSD's budget adequately addressed all ORC requirements, but it failed to incorporate GFOA recommended practices. Failure to incorporate GFOA recommended practices detracts from the reader's understanding of the District's financial situation. Furthermore, the absence of critical information reduces key stakeholders' ability to make informed financial decisions.

GFOA recommends that budget documents include a concise summary and guide to the key issues, along with aspects of the operating and capital components of the budget to ensure the education and involvement of the public. A summary should be made available to the public of both the proposed budget and the adopted budget. The summary can be provided in many formats and can vary in size, scope, and level of detail. It may include one or more of the following: a transmittal letter, a budget message, an executive summary, and a budget-in-brief. At a minimum, a summary should do the following:

1.   Summarize the major changes in priorities or service levels from the current year and the factors leading to those changes.

2.   Articulate the priorities and key issues for the new budget period.

3.   Identify and summarize major financial factors and trends affecting the budget such as economic factors; long-range outlook (**R2.4**); significant changes in revenue collections, tax rates, or other changes; current and future debt obligations; and significant use of or increase in fund balance or retained earnings.

4.   Provide financial data on revenues, other resources and expenditures for at least a three-year period, including prior year actual, current year budget and/or estimated current year actual and proposed budget.

5.   Define a balanced budget and describe state and local requirements for balancing the budget. State if the budget is balanced or not. If the budget is not balanced, explain why not.

The District's budgets currently consist of computer printouts, which only reports budget totals by fund and object.

Conclusion

*The District **did not implement** this recommendation.* ECCSD should prepare a budget document containing detailed information, and supporting materials highlighting the District's goals, objectives and key issues for the fiscal year. The document should be made available to the public, and it should provide budget estimates and historical comparisons at both summary and line item levels of detail. Staffing levels and organization information should be shown, and charts and graphs should be included to increase the document's readability. A budget presented in such a manner allows for a clear, concise picture of the District's finances.

R2.11   The District should institute a more decentralized budgeting process which takes advantage of the knowledge principals, teachers, parents and residents possess. The annual budget should be built upon operational unit performance plans rather than

formulated centrally. Performance indicators should be incorporated into the budget requests. Resources should be allocated based on priorities, levels of service and standards of performance as set and approved in the strategic plan.

Principals should be held accountable for a school's performance throughout the year. To support this discipline, they should submit written reports to the Board to explain monthly variances and describe progress made on their performance plans. Once a year, the results should be compiled, summarized and published. The reports should be made public, through either a formal budget document or the popular financial report. Fiscal management should be a component of every operational unit manager's performance evaluation.

District's 1999 Economy and Efficiency Plan Response

The budgeting process is becoming decentralized. Effective with the 1999-2000 fiscal school year, each building was given a General Fund allocation based on historical data. A worksheet was provided that reflected the programs available in each building. The building administrator had to allocate the funds to the various programs. Administrators were encouraged to seek staff input for this purpose. The spending was to reflect the building improvement plan. The budget document was returned to the treasurer in June. The budget document was reviewed with each administrator. The information was entered into the computer so the administrator could review their spending patterns as necessary. The treasurer and assistant treasurer meet periodically with administrators to discuss the budget.

The superintendent will evaluate the building administrator's performance in the budget process in June 2000.

Implementation Status

The District has formed CIP teams which consist of principals, teachers, parents and community business representatives. The CIP teams evaluate the District's current and future academic needs. The assistant superintendent compiles the information from the CIP teams and individual building principals, and then works with the treasurer to establish the current budget based on the programs outlined in the CIP. The overall budget starts with the prior year's budget and is adjusted to meet projected needs.

Each department is required to submit a monthly CIP update to the assistant superintendent. These monthly reports show the progress the building or program is making in achieving its goals and objectives and any major changes which may have occurred (see **R2.1**). All of the updates are complied and used to update the District CIP. ECCSD has developed a "Proactive Report Card" to report District progress to parents and the community. The report includes proficiency scores, both by individual schools

and the District as a whole, and what the District is doing to help students improve their academic performance.

Each department is provided a set budget at the beginning of the year based on the CIP. The department head has the responsibility to stay within the budgeted amounts. If additional monies are needed for various line items, this money must be reallocated from other areas within the department's budget.

Implementation Assessment

It appears that the District attempted to decentralize the budget process through the CIP process. However, the treasurer still determines the department and building budgets with little input from the department heads or building principals. Decentralization has been achieved within the CIP process, but the CIP process does not include financial decision making responsibilities on the part of building principals and department directors.

The budgetary process is vital to ensure that all the District's needs are adequately addressed and properly funded. To be effective, a budget should be both established and monitored by all essential personal. A joint effort helps to ensure that goals are obtained.

Conclusion

ECCSD **has not implemented** *this recommendation.* The District should decentralize the budget process, and should hold all principals accountable for their budgets. Building principals and department heads should develop budgets based on their stated priorities and goals. The budgets should be reconciled with available funds through the Treasurer's Office. The building and departmental budgets should be used as the basis for the district-wide budget. Cleveland Heights-University Heights School District, which shares its eastern boundary with ECCSD, has a strong decentralized budgeting process that would serve as a good model.

R2.12 The District should monitor those spending areas over which it can exercise more discretion. It is imperative management review the services currently being provided to identify possible opportunities for reductions.

District's 1999 Economy and Efficiency Plan Response

The District will review the budget expenditures for potential cost savings. BAC will review the District's use of private maintenance contractors and make recommendations for possible reductions. The District's CIP will be considered with any reductions.

<u>*Implementation Status*</u>

A special audit was released in January, 2001 by the Auditor of State of Ohio that examined maintenance services, district property rentals, leased property, and transportation of special needs students. The review of maintenance services vendors resulted in significant expenditure reductions in this area.

Table 2-4 shows that in FY 1997-98, 8.0 percent of all discretionary expenditures were property-related services totaling approximately $3.2 million. In FY 2001-02, property services expenditures were 0.7 percent of all discretionary expenditures totaling about $339,000. Decreases in property services expenditures resulted, in part, from the Ohio School Facilities Commission's (OSFC) Classroom Construction Assistance Program which is underway at the District. Major rehabilitation and new construction is occurring at ECCSD, with the majority of the costs being absorbed by the OSFC project.

Table 2-4: ECCSD Discretionary Expenditures for FYs 1997-98 and 2001-02

	FY 1997-98	Percent of Total	FY 2001-02	Percent of Total
Total Expenditures	$ 39,834,446	100%	$ 45,956,157	100%
Discretionary Expenditures				
Prof. & Technical Services	$ 912,995	2.3%	$ 2,085,726	4.5%
Property Services	$ 3,205,922	8.0%	$ 338,945	0.7%
Mileage / Meeting Expense	$ 68,101	0.2%	$ 68,948	0.2%
Communications	$ 190,961	0.5%	$ 59,946	0.1%
Contract. Craft or Trade Svcs.	$ 0	0.00%	$ 30,554	0.1%
Pupil Transportation Services	$ 394,547	1.0%	$ 395,508	0.9%
Other Purchased Services	$ 1,914	0.0%	$ 290,761	0.6%
General Supplies	$ 504,012	1.3%	$ 295,852	0.6%
Textbooks/Reference Materials	$ 406,223	1.0%	$ 907,088	2.2%
Plant Maintenance and Repair	$ 496,129	1.2%	$ 197,539	0.4%
Fleet Maintenance and Repair	$ 55,044	0.1%	$ 80,038	0.2%
Land, Buildings & Improvements	$ 0	0.0%	$ 129,096	0.3%
Equipment	$ 205,184	0.5%	$ 93,761	0.2%
Buses/Vehicles	$ 48,464	0.1%	$ 0	0.0%
Other Capital Outlay	$ 0	0.0%	$ 81,434	0.2%
Dues and Fees	$ 290,146	0.7%	$ 637,098	1.4%
Insurance	$ 37,059	0.1%	$ 125,125	0.3%
Miscellaneous	$ 0	0.0%	$ 0	0.0%
Total	**$ 6,816,701**	**17.1%**	**$ 5,817,420**	**12.6%**

Source: FY 1997-98 and FY 2001-02 District Report 4502, Statement P

Implementation Assessment

As presented in **Table 2-4**, ECCSD's percentage of total discretionary spending decreased by 26 percent since FY 1997-98. However, discretionary expenditures increased in the area of professional and technical services. In FY 1997-98, 2.3 percent of all discretionary expenditures were for professional and technical services, but during FY 2001-02 this almost doubled to 4.5 percent. **Table 2-5** compares ECCSD to

surrounding districts' percentage of total discretionary expenditures to overall expenditures.

Table 2-5: Discretionary Expenditures of Surrounding Districts for FY 2001-02

	ECCSD		CH/UHSD		Euclid CSD		WHCSD		Peer Average	
	Total	% of Total	Total	% of Total	Total	% of Total	Total	% of Total	Total	% of Total
Total District Expenditures (in 000's)	$ 45,956	100%	$ 75,751	100%	$ 53,452	100%	$ 30,159	100%	$ 53,121	100%
Discretionary Expenditures										
Prof. & Technical Svcs.	$ 2,085,726	4.5%	$ 1,610,918	2.1%	$ 1,043,632	2.0%	$ 497,806	1.7%	$ 1,050,785	2.0%
Property Svcs.	$338,945	0.7%	$ 1,695,258	2.2%	$ 561,723	1.1%	$ 462,480	1.5%	$ 906,487	1.7%
Mileage / Meeting Expense	$68,948	0.2%	$ 148,065	0.2%	$ 118,919	0.2%	$ 194,637	0.6%	$ 153,874	0.3%
Communications	$59,946	0.1%	$ 723,315	1.0%	$ 251,333	0.5%	$ 165,340	0.5%	$ 379,996	0.7%
Contract. Craft or Trade Svcs.	$30,554	0.1%	$ 125,375	0.2%	$ 79,776	0.1%	$ 0	0.0%	$ 68,384	0.1%
Pupil Transport. Svcs.	$395,508	0.9%	$ 365,589	0.5%	$ 229,440	0.4%	$ 644,409	2.1%	$ 413,146	0.8%
Other Purchased Svcs.	$290,761	0.6%	$ 0	0.0%	$ 0	0.0%	$ 0	0.0%	$ 0	0.0%
General Supplies	$295,852	0.6%	$ 1,210,779	1.6%	$ 560,248	1.0%	$ 469,664	1.6%	$ 746,897	1.4%
Textbooks/ Reference Materials	$907,088	4.5%	$ 380,226	0.5%	$ 656,777	1.2%	$ 505,998	1.7%	$ 514,333	1.0%
Plant Maintenance and Repair	$197,539	0.4%	$ 583,315	0.8%	$ 318,014	0.6%	$ 293,940	1.0%	$ 398,423	0.8%
Fleet Maintenance and Repair	$80,038	0.2%	$ 224,398	0.3%	$ 261,004	0.5%	$ 93,200	0.3%	$ 192,867	0.4%
Land, Buildings & Improvements	$129,096	0.3%	$ 154,422	0.2%	$ 0	0.0%	$ 52,407	0.2%	$ 68,943	0.1%
Equipment	$93,761	0.2%	$ 801,576	1.1%	$ 937,089	1.8%	$ 241,145	0.8%	$ 659,937	1.2%
Buses/Vehicles	$ 0	0.0%	$ 47,654	0.1%	$ 213,941	0.4%	$ 0	0.0%	$ 87,198	0.2%
Other Capital Outlay	$81,434	0.2%	$ 0	0.0%	$ 0	0.0%	$ 0	0.0%	$ 0	0.0%
Dues and Fees	$637,098	1.4%	$ 687,461	0.9%	$ 706,853	1.3%	$ 359,531	1.2%	$ 584,615	1.1%
Insurance	$125,125	0.3%	$ 169,190	0.2%	$ 140,180	0.3%	$ 29,481	0.1%	$ 112,950	0.2%
Miscellaneous	$26,150	0.1%	$ 52,649	0.1%	$ 3,432	0.0%	$ 8,398	0.0%	$ 21,493	0.0%
Total	**$ 5,843,569**	**12.7%**	**$ 8,980,190**	**11.9%**	**$ 6,082,361**	**11.4%**	**$ 4,018,436**	**13.3%**	**$ 6,360,329**	**12.0%**

Source: FY 2002 District Reports 4502, Statement P

As presented in **Table 2-5,** the average of the surrounding District's percentage of expenditures spent on professional and technical services is 2.0 percent of total expenditures. Professional and technical services are typically contract driven engagements. An examination of professional and technical services is examined further in the **contract management** section.

Conclusion

*The District **partially implemented** this recommendation.* ECCSD reduced the overall amount of discretionary expenditures as a percentage of total expenditures. However, the District doubled the amount spent on professional and technical services since FY 1998-99. See the **contract management** section for further information regarding these services.

Financial Implication: If ECCSD reduced its professional and technical expenditures from 4.5 percent of total expenditures to 2.0 percent, the District could realize approximately $1.2 million in cost savings.

R2.13 ECCSD should utilize the recommendations contained within this performance audit and identify other areas to reduce the current percentage of revenues being spent on support services, enabling these funds to be used in the instruction of the District's students.

District's 1999 Economy and Efficiency Plan Response

A District Continuous Improvement Plan has been filed with the Department of Education. This plan outlines the District's efforts to meet the state standards as defined in House Bill 650. The District's spending plan will reflect the goals of the Continuous Improvement Plan. The District believes that by aligning the financial plan of the District to the CIP, it will increase educational spending related to program enhancements for students.

ECCSD has been showing improvement and in the 2000 Report Card will show improvement in five standards as compared with two previously (18 total).

Implementation Status

The District's spending plan has been modified to reflect the goals of the CIP, which increased educational spending related to academic program enhancements for students. During FY 1998-99, ECCSD spent $4,403 per pupil or 55.5 percent of operational expenditures for instructional expenditures. This amount has increased to $6,395 or 60.8 percent during FY 2001-02 as shown in **Table 2-6**.

Table 2-6: Governmental Funds Operational Expenditures by Function

	FY1997-98	FY1997-98	FY2001-02	FY2001-02
	$ Per Pupil	Percent of Expenditures	$ Per Pupil	Percent of Expenditures
Instructional Expenditures	**$ 4,403**	**55.5%**	**$ 6,395**	**60.8%**
Regular Instruction	$ 2,758	34.8%	$ 4,773	45.4%
Special Instruction	$ 1,070	13.5%	$ 1,119	10.6%
Vocational Instruction	$ 250	3.2%	$ 340	3.2%
Adult/Continuing Inst	$ 11	0.1%	$ 26	0.3%
Other Instruction	$ 315	4.0%	$ 137	1.3%
Support Services Expenditures	**$ 3,426**	**43.2 %**	**$ 4,022**	**38.2 %**
Pupil Support	$ 388	4.9%	$ 562	5.3%
Instructional Support	$ 744	9.4%	$ 646	6.1%
Board of Education	$ 14	0.2%	$ 79	0.8%
Administration	$ 622	7.8%	$ 830	7.9%
Fiscal Services	$ 130	1.6%	$ 192	1.8%
Business Services	$ 76	1.0%	$ 107	1.0%
Plant Operation / Maint	$ 1,238	15.6%	$ 976	9.3%
Pupil Transportation	$ 166	2.1%	$ 237	2.3%
Central Support Services	$ 48	0.6%	$ 394	3.8%
Non-Instructional Services Expenditures	**$ 32**	**0.4%**	**$ 101**	**1.0%**
Extracurricular Activities Expenditures	**$ 74**	**0.9%**	**$ 124**	**1.2%**

Source: FY 1997-98 and FY 2001-02 District Report 4502

The District attributes the shift in spending to the CIP process which identifies and assesses the needs of the students and allows for funds to be allocated based on these needs. The CIP has also helped the District show improvements in proficiency test scores and graduation rates (see **R2.1**).

Implementation Assessment

ECCSD has been successful in realigning funds from support services to educational services through the use of the CIP process. ECCSD has increased instructional expenditures by 45.2 percent since FY 1998-99, which has likely contributed to increased proficiency scores and overall graduation rates for the District.

Conclusion

The District **fully implemented** this recommendation. ECCSD has been successful in increasing the percentage of revenues used for direct instruction, which is reflected in improved academic performance.

R2.14 **The District should establish a staff allocation committee whose purpose would be to implement a staff allocation process. The committee should include representation from schools and teaching personnel to ensure adequate input from all affected parties is considered prior to making staffing decisions.**

The staff allocation process should take place in the preceding school year to enable the Board of Education to hire additional teachers or to issue non-renewal notices as called for in the negotiated agreement with the teachers' union. The process should then be adjusted to reflect any necessary changes in staffing levels due to an increase in the projected student enrollment of the District, or the establishment of new programs approved by the Board. The committee should also concentrate on non-teaching personnel staffing levels as well to determine areas which are either overstaffed or understaffed.

District's 1999 Economy and Efficiency Plan Response

The District CIP as well as the budget will guide the staffing requirements. ECCSD is in the process of reviewing staff. The director of personnel maintains the District's staffing data. The director of personnel will appoint a committee to review the staffing needs of ECCSD on an annual basis.

Implementation Status

The District does not have a formal committee to review staffing information or make staffing decisions. The Human Resources (HR) director and the superintendent prepare a schedule each year detailing staffing decisions. The treasurer provides information on the financial impacts of these decisions. The staffing schedule is then submitted to the Board for approval.

Implementation Assessment

ECCSD does not have a formal staffing committee. A staffing committee's purpose is to ensure that the District's staffing needs are adequately addressed. Ensuring that staffing is appropriate is essential since payroll is the District's largest expenditure. Enrollment within the District is steadily declining, but staffing has increased. The number of employees during FY 1998-99 was 704, while in FY 2002-03 staffing was 738.

However, for FY 2003-04, there has been a reduction of approximately 100 employees throughout the District.

In FY 1997-98, the staffing levels at ECCSD resulted in approximately 9 students for each employee. The combination of reduced enrollment levels and increased staffing pushed the ratio of students to employees down to 7 to 1 in FY 2002-03. The reductions in staffing initiated in FY 2003-04 increased the ratio to 8 to 1. However, this level remains above the FY 1997-98 levels.

Conclusion

*ECCSD **did not implement** this recommendation.* Since the District is in fiscal emergency, it is imperative that every cost saving measure be employed by the District, especially in the area of staffing as this is the District's largest expenditure. Although the District has made significant staffing reductions for FY 2003-04, a formal staffing committee should be responsible for ensuring that staffing is in line with the District's needs prior to the beginning of the new school year. The staffing committee should be comprised of key stakeholders, such as the superintendent, the HR director, the treasurer, union representatives, as well as BAC (**R2.8**) and CIP liaisons (**R2.1**). See the **human resources** for a staffing analysis and recommendations.

R2.15 Although the Treasurer's Office has made strides in automating the accounting system, it is imperative that the District continue these efforts by training all principals, department heads and secretaries to use the accounting system's online inquiry and report writer capabilities.

District's 1999 Economy and Efficiency Plan Response

The Treasurer's Office is training department and building secretaries and administrators on the accounting system's online requisition system and inquiry capabilities. All administrators and secretaries will have system access and training by December 1999. Periodic meetings for staff review are planned throughout the year.

ECCSD is currently using the Lakeshore Northeast Ohio Computer Association (LNOCA) system to complete the accounting documentation for the District. LNOCA is a member of the Ohio Education Computer Network that uses the Uniform School Accounting System (USAS) for its accounting systems. The treasurer has stated that all pertinent staff have been trained on its operation, with the exception of the report writing capabilities, either by going to a training session given by LNOCA, or personally by the treasurer and/or the purchasing agent.

Implementation Status

ECCSD successfully migrated to LNOCA's USAS system during FY 1998-99. LNOCA offers educational, fiscal, student and technical support services to its member districts that include the following:

- Guidance software,
- Attendance tracking,
- Grade reporting,
- Scheduling,
- Accounting,
- Payroll and/or personnel services,
- Receivables system,
- GAAP system,
- Vehicle Information System,
- Equipment Inventory System,
- Online access to data on Ohio Department of Education computers,
- Hardware support / problem determination,
- Communications equipment support,
- Budgetary procedures,
- Report generator tools, and
- Miscellaneous programs.

LNOCA offers training sessions for all services offered. Training is offered both at the District and at the LNOCA training office.

Implementation Assessment

The treasurer stated that all staff were trained on all LNOCA system operations with the exception of the report writing capabilities. However, some employees indicated that they are unfamiliar with certain systems required for performing their jobs. ECCSD was unable to produce documentation for any training that had occurred.

Conclusion

*The District **did not implement** this recommendation.* It is imperative that all personnel are properly trained on computer systems that support their job functions. ECCSD should develop and implement a system to ensure that all principals, department heads and support staff are properly trained on system operations critical to their job functions. This should include training in the use of the accounting system's online inquiry and report writer capabilities.

ECCSD should develop and implement a training schedule. This schedule should list whether the District will offer the class in-house or at LNOCA, and who is required to attend. Training sign-in sheets should be completed and maintained for each type of training offered. ECCSD should periodically review these sheets to ensure that all staff have received training and to determine if additional training courses are needed. Ongoing training should be offered to ensure that staff stays current with the District's information systems.

R2.16 ECCSD should expand the functions of the finance committee to include tasks normally accomplished by an internal budget committee. The committee should meet on an as-needed basis to discuss the possible impact of specific budgetary items, evaluate "what-if" scenarios, monitor the preparation and adoption of the budget, and ensure that the recommended budget remains consistent with operating parameters established in the strategic plan.

District's 1999 Economy and Efficiency Plan Response

See **R2.8**

Implementation Status and Assessment

The District's Board does not have an active finance committee to provide oversight in developing and monitoring ECCSD's budget and expenditures. ECCSD has not formed a group or assigned the tasks normally performed by an internal budget committee.

Conclusion

*ECCSD **did not implement** this recommendation.* The District's Board of Education should form an active finance committee. Part of its responsibilities should be to meet on an as-needed basis to discuss the possible impact of specific budgetary items, evaluate "what-if" scenarios, monitor the preparation and adoption of the budget and ensure that the recommended budget remains consistent with operating parameters established in the CIP (**R2.1**) as recommended in the 1999 Performance Audit.

R2.17 The permanent appropriation measure should be adopted within the statutory time period in compliance with ORC. To accomplish this, the superintendent and treasurer should establish time tables and a set of instructions for the operational units to follow which would ensure that the annual appropriation measure would be presented to the Board for approval before October 1.

District's 1999 Economy and Efficiency Plan Response

The permanent appropriate measure will be adopted by October 1st of each year.

Implementation Status

The District developed an appropriations policy that was adopted by the Board on January 10, 2000. It states, "as permitted by law, at the start of the fiscal year, the Board may pass a temporary appropriations measure to provide for meeting the ordinary expenses of the District until such time as the Board approves the annual appropriations resolution for the year, which is not later than October 1."

Implementation Assessment

The Auditor of State's Local Government Services Section (LGS) report, *East Cleveland City School District Report on Accounting Methods*, noted the following regarding the District's appropriation practices:

- The treasurer does not submit, on a timely basis, any supplemental appropriation measure to the Cuyahoga County Budget Commission. Spending prior to the effective date of an appropriation is a violation of law.

- The Board has adopted appropriations in funds that do not appear on the amended certificate.

- According to ORC §5705, appropriations are limited to the estimated resources in the existing amended official certificate of estimated resources. The District routinely adopts supplemental appropriation measures and then requests an amended official certificate that equals the new appropriation amounts.

As stated in the LGS report, the District is not meeting the time frames and guidelines for appropriations as stated in the ORC. Although ECCSD did develop an appropriations policy, it is not being followed. Furthermore, the current policy lacks time tables and instructions to ensure appropriation deadlines are met.

Conclusion

*The District has **partially implemented** this recommendation.* Although ECCSD developed an appropriations policy, it should be expanded to include timelines and instructions for operational units to follow, in order for the October 1 deadline to be met. Also, ECCSD should develop policies and procedures outlining supplemental appropriation processes and steps. Furthermore, as the LGS report noted, the treasurer has not been timely in submitting supplemental appropriations to the County. Therefore, this responsibility should be added to treasurer's job description / employment contract, and should be included in the treasurer's annual evaluation.

R2.18 **The Board should review its policies regarding the establishment of its legal level of control to ensure that it is set at a level that is both appropriate and manageable. The annual appropriation resolution which sets the operating budget should be prepared at a level which would preserve Board oversight, but would also allow the treasurer and superintendent to transact District business in an efficient manner. If it is determined that composing the appropriate resolution using a level different from "fund, function, and object" would enhance Board oversight or management efficiency, future appropriation measures should be adopted at that new level. The decision should be made cooperatively by the Board, the superintendent and the treasurer.**

District's 1999 Economy and Efficiency Plan Response

The Board finance committee will review the level of appropriation control with the superintendent and the treasurer, so that the information provided at the established level is appropriate for Board oversight and management.

Implementation Status

ECCSD does not have written policies and procedures establishing the legal level of control to ensure that it is set at a level that is both appropriate and manageable. The treasurer prepares the budget in compliance with ORC requirements, but without any input from the Board or superintendent about its presentation. Currently, ECCSD uses one function, and two object levels (e.g., 001-1110-423 for maintenance/repair equipment) as its established level of control.

Implementation Assessment

ECCSD's annual budget is presented in the same format each year using the fund with one function, and two object levels. However, the Board did not establish a policy setting the fund, function, object classification as the legal level of control.
The "legal level of budgetary control" is defined in *Government Accounting, Auditing, and Financial Reporting* as "the level at which spending in excess of budgeted amounts would be a violation of law." In Ohio, the legal level of control is the level at which the appropriation measure is passed by the legislative authority of a local government.

The LGS report, *East Cleveland City School District Report on Accounting Methods*, recommended that the legal level of control be established in the first appropriation measure adopted by the Board. The report further recommended that supplemental appropriation measures be consistent with this level throughout the year (see **R2.17**). As identified in the 1999 Performance Audit, LGS concurred that the Board should define the legal level of control by Board policy, and recommended that the policy require

management to explain and justify why amendments to existing appropriations are needed.

LGS also found that, although expenditures plus encumbrances are not to exceed appropriations, District management allows this to occur at the legal level of control and in the various accounts that receive allocations by the treasurer. LGS further recommends that the Board adopt appropriations at the fund, function, object level instead of allowing that the allocation of Board-approved appropriations be at the discretion of the treasurer. There is no Board policy identifying, establishing, or requiring the establishment of controls over this process, making the process susceptible to errors and inappropriate allocations.

It is the Board's responsibility to ensure that the budget is presented at a level that is deemed both appropriate and manageable to preserve effective Board oversight. Once the decision has been made on the legal level to be used, the Board should adopt a policy.

Conclusion

*The District **did not implement** this recommendation.* The Board, with input from the superintendent and treasurer, should determine the appropriate legal level of control for the District. If the Board decides that the current level of one function and two object levels is appropriate, then this should be established as policy. However, it is recommended that the legal level of control be set at the fund, function, and object level. The policy should also state that all supplemental appropriation measures be consistent with the formally established level throughout the year. This policy will allow the Board to adequately monitor the budget and approve changes as needed.

R2.19 ECCSD should hold operational units accountable for their budgetary performance. The treasurer should start issuing, at a minimum, monthly reports that include the following:

- **Month-to-date and year-to-date expenditures,**
- **Current encumbrances,**
- **Unencumbered balances,**
- **Appropriated amounts by general ledger account, and**
- **The percent of account code budget spent during the year.**

Operational unit managers should be held accountable for monitoring and reconciling their budget activity to these reports provided by the treasurer.

To support these activities, the Treasurer's Office should immediately begin to train personnel regarding budgetary procedures. Operational unit managers need to be

provided with in-service training on budget preparation, performance measurement, and management reporting, and Board members and the administrators should also attend. The training should include the following:

- **Information on State requirements;**
- **Instruction on analysis of historical trends, current results and forecasting of future needs;**
- **Coverage of District purchasing and grant management procedures; and**
- **Review of chart of accounts and general ledger codes.**

Annual refresher courses should be offered to expose the managers to technological advances, procedural changes, and new management techniques.

The Treasurer's Office should prepare a written manual, that is kept current, outlining the specific steps to be followed and control mechanisms to be employed for the budgetary, revenue, purchasing and payroll processes, as well as for grant management.

District's 1999 Economy and Efficiency Plan Response

Building and department managers will access their information from the computer. Online capacity can be accessed monthly by managers. The treasurer will issue quarterly hard copy reports. The treasurer will review the status of building and department budgets with the appropriate administrator throughout the year once online training is complete.

Implementation Status

According to the treasurer, budget printouts are provided to each department and building manager upon request. Directors and supervisors are required to review their information on a monthly basis, which is monitored through LNOCA's USAS system. However, this is not stated in District policy.

Implementation Assessment

Although the budgetary process is outlined in the policies and procedures manual, the District has not acted to ensure that the policies and procedures are followed. Administrators are not held responsible for their budgets (see **R2.11**). Lastly, the District does not offer annual refresher courses as suggested, nor did staff attend any classes provided by the Treasurer's Office or LNOCA (**R2.15**).

Conclusion

*The District **did not implement** this recommendation.* ECCSD should take steps to ensure that operational units are held accountable for their budgetary performance. Operational unit managers should be held accountable for monitoring and reconciling their budget activity to the reports provided by the treasurer. Accountability can be obtained as an item in the department and building managers' annual evaluations.

ECCSD should require all operational unit managers and the administrators to attend training at LNOCA on USAS system functions. The treasurer should offer annual internal training sessions on budget preparation, performance measurement, and management reporting on an annual basis. The training should include the following:

- Review of state requirements and updates;
- Instruction on analysis of historical trends, current results and forecasting of future needs;
- Instruction on District budgeting, purchasing and grant management policies and procedures;
- Review of chart of accounts and general ledger codes;
- Instruction on any District policy and procedural changes; and
- Overview of new management techniques or technological advances.

Through regular instruction on accounting, budgeting, purchasing and grant management policies and procedures, the District can expect to be able to hold operational units accountable for their financial performance. Such instruction will allow for greater oversight of ECCSD's fiscal situation.

R2.20 The District should develop an official policy regarding the manner in which system controls can be overridden and by whom.

District's 1999 Economy and Efficiency Plan Response

Effective July 1998, the District joined the Lakeshore Northeast Ohio Computer Association (LNOCA). LNOCA is a consortium of 32 Districts that utilize state software for accounting and student data. To access District data on LNOCA, all employees must complete a form that details their access to data. The treasurer and the superintendent approve this level of access. Only the treasurer can override system controls regarding the accounting information. The treasurer will review the budgets monthly to be sure the budget constraints are being met. A report will be made to the Budget Advisory Committee as to the District's progress.

Implementation Status

The LNOCA systems provide administrative controls. These systems include USAS, Uniform Staff Payroll System (USPS), School Asset Accounting System (SAAS), and Education Management Information System (EMIS). However, the District has not developed written policies and procedures regarding controls.

Implementation Assessment

LNOCA has built-in safeguards for its systems, but the District has never issued written policies and procedures concerning these controls. Furthermore, the informal administrative control procedures that are in place are frequently overridden by both staff and management.

Controls are developed to ensure the integrity of the information within the system. If controls are habitually overridden by administrative personal and staff, the reliability of the information in the system is reduced and the likelihood of abuse, fraud and misappropriation are increased.

Conclusion

*The District **did not implement** this recommendation.* ECCSD should develop and implement policies and procedures regarding system controls to ensure and that all safeguards are in place and functioning properly. These policies and procedures should address:

- What can be overridden and when;
- Who is authorized to override the systems;
- What is the process and reasons for overriding;
- What type reports will be issued and when;
- How to track when the controls have been overridden; and
- What is the threshold for items which require Board approval prior to being allowed to be overridden in accordance with established procedures.

R2.21 ECCSD should implement a "carry-through" program for controllable line item accounts. The program would reward operational units for efficient operation, planning and performance. In the budgetary process, those exemplary operational units would receive partial or full reallocation of unused prior year appropriations. These carry-though funds would be discretionary and could be used to improve selected programs or reward employees for demonstrated success. The carry-through program should be formally adopted as a Board policy for budgeting.

District's 1999 Economy and Efficiency Plan Response

The District is revamping its budgetary process. To implement the recommended program at this stage would be premature. This recommendation will be forwarded to BAC for consideration.

Implementation Status

Department budgets are reviewed by administrative staff, and are driven by the District's CIP and historical data. The District does not have a carry-through program. As identified in **R2.8**, ECCSD has not implemented a BAC.

Implementation Assessment

ECCSD's treasurer has stated that she works with the departmental heads to determine their budgetary needs for the year. The information is complied to generate the departmental budget for the next year. If monies are not used during the year, they are reallocated to either the same department or to different departments based on need.

Since the District is experiencing financial difficulties, it is imperative that a system be designed and implemented that would allow a distribution of funds to programs that are efficient and effective with their budgets and their program outcomes. The use of a carry-through program would enable the District to reallocate unused prior year appropriations within a department to make program enhancements and could help eliminate the misuse of funding. Furthermore, it would create an incentive to be efficient and plan purchases within each building and department.

Conclusion

*ECCSD **did not implement** this recommendation.* As part of the budgetary procedures, the Board should adopt a carry-through program for controllable line item accounts. Carry-through amounts could then be used to make program enhancements within the buildings or departments that retain the prior year's surplus.

R2.22 The treasurer should broaden the scope and level of detail of the financial package sent to the Board. The financial information should contain:

- **A comparison of appropriations versus year-to-date expenditures for the general fund,**
- **Bank reconciliations,**
- **SM-2 monthly spending plan,**
- **A narrative of key issues,**

- **Discussion of District goals, and**
- **An analysis of goals verses outcomes.**

The materials should have graphical representations and written explanations for significant figures and balances. By including the items noted above, and any other relevant information, the treasurer would provide the Board with a complete and informative picture of the District's financial activities.

District's 1999 Economy and Efficiency Plan Response

The treasurer will meet with the Board finance committee to determine the level of information the Board will receive. The treasurer will then develop a report as deemed appropriate. The report will be reviewed by BAC.

Implementation Status

The treasurer currently distributes the following information to the ECCSD Board of Education members:

- An agenda which outlines what will be discussed at the upcoming meeting,
- Reconciliation reports,
- Financial report by fund,
- RevSum report (General Fund only),
- Appropriations by fund up to the current period, and
- Any additional information which is deemed pertinent to the meeting.

Implementation Assessment

The treasurer does not provide the Board with adequate and up-to-date financial reports, nor does the Board request, review or approve such reports. Based on a review of the agenda for the April 14, 2002 Board of Education meeting, the financial reports provided to the Board were not current (reconciliation reports for the months of November through February were presented for review in April). Additional information provided in advance to the Board included a request for approval of contractual work that lacked the actual contractual agreements (see **contract management** section). The Board did not discuss or question the financial reports and key analyses were not communicated to the Board. Furthermore, since the reports were not discussed or reviewed, there was no mention in the Board meeting minutes that the financial reports were approved.

Conclusion

ECCSD **partially implemented** *this recommendation.* The treasurer should broaden the scope and level of detail of the financial package to ensure that the Board is able to complete its required duties. All materials should have graphical representations and written explanations for significant figures and balances and should be current. The financial information should contain:

- A comparison of appropriations versus year-to-date expenditures for the general fund, and all other funds;
- The latest bank reconciliations;
- The SM-2 monthly spending plan for the month;
- A list of personnel changes that includes the name, title, salary and benefits of each individual;
- The qualifications of all individuals the District is proposing to hire; and
- A narrative of key issues.

The Board should also review and discuss the updates of the District's Continuous Improvement Plan, and any status reports and updates from BAC (**R2.8**), the staff allocation committee (**R2.14)**, and the audit committee (**R2.24**), once these committees have been formed and meet regularly. The Board should also discuss and review issues brought before them by these committees to determine if additional policies and procedures are required.

Because the Board is responsible for guiding the goals, objectives and financial decision making within the District, it is imperative that members have accurate and up-to-date financial information. If better financial reports are provided to the Board, it will be able to exercise more effective financial oversight for ECCSD. However, it is crucial that the Board review and analyze these reports in order for oversight to occur.

R2.23 The District should prepare and issue a Comprehensive Annual Financial Report (CAFR) to provide additional information to users of the financial statements. The District should also consider publishing and circulating a simplified or "popular" version of the report (PAFR), describing in a clear and concise manner the District's financial condition and results of operations.

In addition, the Treasurer's Office should begin to develop the expertise necessary to prepare the GAAP basis financial statements in-house. By preparing the District's GAAP basis financial statements in-house, the District will save approximately $7,000 annually.

District's 1999 Economy and Efficiency Plan Response

This recommendation will be forwarded to BAC for consideration.

Implementation Status

The District does not prepare a CAFR or a PAFR and, according to the treasurer, there are no plans for implementation of these financial reports. As discussed in **R2.8**, the District does not have a functioning BAC.

Implementation Assessment

OAC § 117-2-03(B) requires that, "all counties, cities and school districts, including educational service centers and community schools, shall file their annual financial reports pursuant to generally accepted accounting principles [GAAP]". The treasurer stated that, because of the amount of work involved, time constraints, and the numerous other problems with the District, it was best to contract the preparation of the District's GAAP statements to an outside agency. The contracted service costs the District approximately $36,000 annually.

Conclusion

*The District **did not implement** this recommendation.* ECCSD should prepare and issue a CAFR. The preparation of the CAFR helps keep the public well informed on the District's current financial situation. Furthermore, ECCSD has not attempted to develop the expertise and capability of preparing its GAAP statements in-house, but has relied on an outside contractor. A CAFR includes the following elements:

- Background information, an overview of the District's financial position, and the results of the operations for the period.

- Financial data which includes combined financial statements and notes, as well as combined statements for fund types which are comprised of more than one fund.

- Statistical information, such as trend analyses of revenues, expenditures, and tax collection, and

- Other significant non-financial data.

Financial Implication: By completing the GAAP process in-house and not relying on an outside contractor, the District could avoid expenditures of approximately $36,000 annually.

R2.24 One of BAC's functions should include serving as an audit committee. The Committee should play an advisory role, since management and the Board remain ultimately responsible for the fair presentation of the financial statements.

The audit committee should be formally established by Board resolution. Committee members should collectively possess the expertise and experience in accounting, auditing and financial reporting needed to understand and resolve issues raised by the independent auditors. The audit committee can include Board members. However, it is preferable to include representation independent from elected officials and management. The committee should meet regularly (perhaps quarterly) to monitor the District's financial reporting and control activities, and should meet with its independent auditors before and after each audit.

The committee should periodically review the process used to prepare interim financial information submitted to the Board, as well as any internal audit reports. The committee should annually present to the Board a written report of how it has discharged its duties and met is responsibilities.

District's 1999 Economy and Efficiency Plan Response

A sub-committee of BAC will serve as the District Audit Committee.

Implementation Status

Currently, ECCSD does not have a BAC (**R2.8**) or an audit committee, although an audit committee was convened on January 17, 2002 for a single meeting.

Implementation Assessment

In the last four financial audits, the Auditor of State recommended the formation of an audit committee within the District. The District made an attempt to form a committee but it was in existence for only a single meeting.

Conclusion

*The District **has not implemented** this recommendation.* ECCSD should establish an audit committee. The National Commission on Fraudulent Financial Reporting (known as the Treadway Commission), has stated that audit committees can serve as "informed, vigilant, and effective overseers of the financial reporting process and internal controls." An audit committee should perform the following functions:

- Review the annual unaudited financial report submitted to the Auditor of State;

- Review periodically the process used to prepare interim financial information submitted to the Board of Education;

- Review audit results;

- Assure that audit recommendations are appropriately addressed; and

- Serve as liaison between management and independent auditors.

The audit committee can include members of the Board of Education. However, it is preferable to include representation that is independent from elected officials or management. The committee could include professionals knowledgeable in the District's operations and in accounting, such as attorneys or bankers. The audit committee should meet regularly (perhaps quarterly) to monitor the District's financial reporting and control activities, and should meet with its independent auditors before and after each audit.

The committee should also work closely with the treasurer and the superintendent in the preparation of the five-year forecast and the annual budget to ensure that all information presented is accurate (see **R2.4** and **R2.10**). Emphasis should be placed on finding ways to implement cost reduction measures for the District and seeking additional revenue sources.

Purchasing

R2.25 ECCSD should revise current purchasing policies and procedures to subject the majority of dollars expended to competitive pricing. The policies should address dollar thresholds and types of purchases that would be subject to competitive pricing. The Treasurer's Office should gather statistics to devise these thresholds, attempting to cover a majority of annual expenditures.

Requests for proposals should be used for purchased services to ensure the District obtains services at the best possible price, and that vendor selection is made objectively. The requests for proposals should be constructed in a manner which allows the vendor flexibility and creativity in alternative proposals to the base proposal. Board approval for all service contracts should be required. Purchases of materials and supplies, as well as equipment should be based on price quotations from numerous vendors.

The policy should address at what threshold written and verbal quotations should be obtained as well as how these quotations should be documented and reviewed. Once implemented, compliance with these policies and procedures should be monitored throughout the year by management. Failure to follow established purchasing policies and practices should result in the appropriate disciplinary action being taken.

District's 1999 Economy and Efficiency Plan Response

The District is committed to developing a comprehensive purchasing manual which will establish purchasing policies and practices.

Implementation Status

In November 2000, the ECCSD superintendent, treasurer and assistant treasurer developed a purchasing manual for the District, which was approved by the Board on December 11, 2000. The purchasing manual states that three phone quotes must be obtained on purchases of $250 - $1,000. For purchases of $1,000 - $9,999, competitive price forms and copies of quotes must be attached to the purchase order. Standard quote forms are provided by the District. The bidding process is applied to transactions on materials and/or services with an estimated annual aggregate price in excess of $10,000. All contracts over $10,000, whether in the form of a bid or otherwise, are presented to the Board.

The manual also states that exceptions to the above requirements must be documented as in the case of an item purchased through the Ohio Cooperative Purchasing Program (OCPP) and/or the Ohio School Council Cooperative (OSCC), where competitive pricing or public bidding becomes unnecessary.

Implementation Assessment

Policy and procedures manuals are designed to instruct the District employees on the proper manner for handling procurement within the District to ensure compliance with ORC. However, during the course of the audit many instances were discovered where District employees did not follow the purchasing manual's policies and procedures. Based on the information obtained during the performance audit, it appears that the purchasing policy is not consistently enforced. See the **contract management** section for further discussion.

Conclusion

*The District **partially implemented** this recommendation.* During this time when the ECCSD is experiencing financial difficulties, each member of the District should be more

conscious of policies and procedures and should take steps to ensure that those policies and procedures are followed as outlined in the purchasing manual. This would include the application of more effective monitoring procedures such as:

- Obtaining requests for proposals to ensure that the District receives services at the best possible price;

- Basing purchases of materials and supplies, as well as equipment on price quotations from at least three vendors;

- Ensuring all information is documented on the correct District forms, and presented with the request;

- Requiring that funds are available in the account used;

- Ensuring steps are taken that vendor selection is made objectively when not using OSCC or OCPP;

- Requiring all agreements are documented through a signed contractual agreement, outlining the requirements of each party;

- Detailing procedures for refusing to process request; and

- Requiring Board approval for all service contracts prior to entering into an agreement.

Failure to adhere to District policies and procedures, particularly in the area of purchasing, greatly reduces the District's ability to control expenditures.

R2.26 Decisions to purchase items available through the Ohio School Council or the Ohio Cooperative Purchasing Program should be documented based on an identifiable purchasing advantage to the District. In making the comparison, the District should use purchasing practices described in R2.27 to compare the cooperative. To allow this comparison to be performed, the District must develop procedures to properly identify and report the various expenditure categories purchased through the cooperative.

District's 1999 Economy and Efficiency Plan Response

Mechanisms for dealing with the Ohio School Cooperative will be detailed in the purchasing manual (see **R2.25**).

Implementation Status

ECCSD is a member of the Ohio Schools Council Cooperative (OSCC), a consortium of school districts and several cities located in the greater Cleveland area. Vendors are selected by a committee based on quotes submitted to the OSCC. Commodities purchased by ECCSD through the OSCC include custodial supplies, office supplies and paper products. ECCSD has also entered into a discount agreement for electricity usage and bus purchasing through OSCC. ECCSD is also a member of the Ohio Cooperative Purchasing Program (OCPP), which is a similar program available to all governmental agencies within the state of Ohio. The District is not required to make purchases through these programs if it can obtain better pricing elsewhere.

ECCSD employees have access to the both these agencies' websites (www.osconline.org and www.gsd.das.state.oh.us/Coop/ods.htm). The websites provide the user with:

- A list of items available for purchase,
- The cost of each item, and
- The vendor names, addresses and telephone numbers.

ECCSD's purchasing manual requires that a competitive price form be completed and attached to the requisition for all purchases of $250 to $1,000. However, according to the treasurer this is not always done by staff. In some cases, staff may follow the procedures and obtain competitive prices for purchases, but fail to complete the required forms.

Implementation Assessment

According to the treasurer, ECCSD employees have, on occasion, failed to obtain price quotes or failed to complete the required forms. If an item was listed with either OSCC or OCPP, no additional quotes were obtained.

ECCSD's purchasing manual states that any exceptions to the price quote requirements must be documented, as in the case where an item is purchased through the OCPP and competitive pricing or public bidding becomes unnecessary. Furthermore, all purchases made through OCPP or OSCC are required to be documented on the District's OSCC/OCPP form.

Conclusion

*The District **did not implement** this recommendation*. ECCSD should require staff to document decisions to purchase items available through the cooperatives and to use the required form. For failure to follow these requirements, ECCSD could refuse to process purchases, and repeated incidences of incorrectly submitted purchasing paperwork could

result in disciplinary actions. The District should also develop procedures to properly identify and report the various expenditure categories purchased through cooperatives.

ECCSD should periodically perform an analysis of routine purchases made outside of the OSCC and OCPP, and prepare a product list to determine if the best price was obtained. These techniques would save considerable time spent researching supply items, locating vendors and negotiating purchasing terms to help ensure that the best possible prices are obtained for commonly used goods.

R2.27 The District should use its buying power to competitively bid out the most commonly used items and secure negotiated discounts with vendors for the other items. Estimations of the most commonly used items should be gathered and bids taken. Operating units should be included in the process of evaluating vendors and products. Catalogs of bid items and preferred vendors should be distributed to all operational units to be used in purchasing decisions

District's 1999 Economy and Efficiency Plan Response

Mechanisms for dealing with the negotiated discounts will be detailed in the purchasing manual. See **R2.25.**

Implementation Status, Assessment and Conclusion

*The District **partially implemented** this recommendation.* See **R2.25**, **R2.26**, and the **contract management** section.

R2.28 The Board should review its resolution regarding the MBE and FBE proposed plan participation for contracts. The resolution of goals may be in conflict with other federal and state requirements and should be assessed as to its reasonableness and adequacy in light of current legislation, legal rulings and the District's current practices. If the Board determines that the District should continue to follow a policy of this nature, it should also be prepared to hold vendors accountable for complying with the policy's stated conditions and requirements.

District's 1999 Economy and Efficiency Plan Response

The Board of Education and the Ohio School Facilities Commission, together with Board Counsel, are working on language to address participation of community contractors that will be in compliance with state and federal guidelines.

Implementation Status, Assessment and Conclusion

*The District **fully implemented** this recommendation.* See **R4.1.**

R2.29 The District should implement vendor payment and staff reimbursement policies and enforce these policies. The District needs to ensure all contractors are properly issued an IRS Form 1099. Further, staff members should confirm in writing that they are free from personal and external impairments to independence. Violations to this policy should be subject to the appropriate disciplinary process.

Other policies should be put in place to eliminate any confusion as to what District officials may claim as reimbursable expenses. Such a policy would address commuting expenses, meal allowances and hotel accommodations. Each item should address and explain the method of computing meal and commuting expenses and set a maximum hotel accommodation rate to eliminate abuse.

District's 1999 Economy and Efficiency Plan Response

ECCSD is reviewing and revising the policies for vendor payments and staff reimbursements. Once the policy is approved, written procedures will be sent to all staff. ECCSD has contracted with Ohio School Boards Association (OSBA) to review and revise these policies.

Implementation Status

The vendor payment process is outlined in the District's policy and procedures manual. When the purchased items have been received and there are no problems with the order, the in-field copy of the purchase is signed and sent with the invoice to accounts payable for payment. ECCSD has not adopted formal policies and procedures to ensure that all eligible contractors are issued a 1099.

ECCDS' policy DLC states, "that a traveler on official school business is expected to exercise the same care in incurring expenses that a prudent person would exercise in traveling on personal business. . ."   The District has not established dollar limits or provided details on allowable expenditures.

Implementation Assessment

ECCSD has policies and procedures for vendor payments and staff reimbursement. However, the policies do not cover issuing1099s or staff reimbursement levels. Furthermore, the manual does not contain descriptions of key travel allowance items, such as commuting expenses, meal allowances, and hotel accommodations, nor does it describe the documentation required to receive reimbursement

The absence of key information in the policy and procedures manual could result in staff submitting improper items for reimbursement. Lacking direction on documentation needed for reimbursement, staff members may be denied reimbursement for allowable

items. The weaknesses in ECCSD's policies and procedures may create additional work for staff within the financial office and could lead to improper reimbursements.

Conclusion

The District **partially implemented** *this recommendation.* ECCSD should implement vendor payment and staff reimbursement policies and procedures to ensure compliance with IRS requirements. These policies should include methods to ensure that the policies are followed.

ECCSD should provide staff with clear detailed information on what the District deems allowable reimbursable amounts for commuting expenses, meal allowances, and hotel accommodations while on agency business. The policy should include what type of supporting documentation is required to obtain reimbursement.

R2.30 **The District should increase its efforts to prevent operating units from making purchases in advance of securing a valid purchase order and obtaining the required treasurer's certification. The District should send out notices to vendors stating their policy and indicate payments will not be made unless there is a valid purchase order assigned prior to the obligation. In addition, the District should hold violators of purchasing procedures personally liable for their actions.**

District's 1999 Economy and Efficiency Plan Response

ECCSD has a policy that states no purchase will be processed without a purchase order executed prior to the purchase. Effective September 13, 1999, no invoices are to be forwarded to Board of Education for approval. The violator is personally responsible.

Implementation Status

The ECCSD Board approved the purchasing manual in December 2000. The purchasing process, as described in the manual, begins with a requisition from an employee which is entered into the USAS system by the building or departmental secretary. Both the paper requisition and a copy of the online requisition must be approved by the building principal or department head. Once approval is given, the requisitions are sent to Accounts Payable so that a valid purchase order can be completed. The purchase orders contain five parts: white, onion skin, green/gold, pink, and yellow.

When the Accounts Payable Department ensures that all information is correct and a purchase order is issued, it is sent to the purchasing agent for review and approval. The purchasing agent ensures that the information presented is correct (i.e. correct account code, funds are available, etc.). If errors are detected, the building principal or department head is notified so that corrections can be made. Once it is determined that

the information is correct, the purchase order is sent to the Treasurer's Office for certification. The white copy of the purchase order is sent to the vendor, the onion skin and green/gold copies are sent back to the building or department, and the Treasurer's Office maintains the pink and yellow copy. Vendors are also sent a form letter concerning the District purchasing practices.

Implementation Assessment

ECCSD adequately addressed this issue in its development of formal policies and procedures for securing valid purchase orders. However, inquiries revealed:

- Employees still made purchases without prior approval and/or without ensuring that funds are available for purchases;

- All required information was not always included on District forms; and

- Building secretaries and accounts payable clerks are allowed to override the system and continue to process both requisitions and purchase orders even when the purchase has not received prior approval or required information was missing from the forms.

Ohio Revised Code § 5705.41(B) and (D) state that no subdivision can make any contract or order any expenditure of money unless the certification of the fiscal officer (treasurer) is attached. It further states that contracts and orders for expenditure lacking prior certification are void.

ECCSD's policies and procedures were designed as a means of ensuring compliance with the ORC. The continuation of practices that circumvent purchasing controls may place the District in non-compliance with ORC requirements.

Conclusion

*The District **partially implemented** this recommendation.* The ECCSD Board should require greater control procedures to prevent operating units from making purchases prior to securing a valid purchase order with the treasurer's certification attached. The ECCSD Board should also consider revising the policy to give notice that violations of purchasing procedures could result in individuals being personally responsible for failure to comply with purchasing laws. This would allow for greater control over agency spending and help ensure ORC compliance.

R2.31 ECCSD should ensure all required information is provided before a requisition is processed. In addition, the District should develop a procedure to assess their responsiveness to the timeliness of requisition processes. It should be the goal of the

District to issue purchase orders for properly submitted requisitions as quickly as possible while ensuring all applicable purchasing and budgetary policies and procedures are adhered to.

District's 1999 Economy and Efficiency Plan Response

The Treasurer's Office and the administrator in charge review all requisitions before processing. The Treasurer's Office staff matches all invoices to purchase orders for payment. They also note differences between what was ordered and what is being paid. The assistant treasurer reviews all payments for correct procedures and reasonableness prior to the check being issued. See **R2.33**.

Implementation Status, Assessment and Conclusion

The District **partially implemented** this recommendation. See **R2.30** and **R2.33**

R2.32 The District should develop a comprehensive purchasing manual in an effort to assist users in following adopted policies and procedures. The manual should formalize dollar thresholds, delineate approval paths, reiterate statutory requirements for competitive bidding, blanket purchase orders and certification of funds, and describe emergency purchasing procedures. Within the procurement cycle explanation, the manual should provide users with step-by-step instructions for entering requisitions that include examples of the computer screens and command prompts. Each operational unit should be provided with at least one copy, distributed at a meeting during which the contents of the manual would be reviewed in detail, so as to familiarize the attendees with the correct purchasing procedures. This manual should be updated and distributed to all operational units and departments on an annual basis or upon significant enhancements.

District's 1999 Economy and Efficiency Plan Response

The District is committed to adopting a comprehensive purchasing manual which will establish purchasing policies and practices to be followed in the District.

Implementation Status

The purchasing manual was developed in November 2000 and approved by the Board in December of that year (see **R2.25**). A copy of this manual was issued to all staff when it was adopted.

Implementation Assessment

ECCSD was successful in developing and implementing a policy and procedures manual formalizing dollar thresholds, delineates approval paths, sets competitive bidding procedures, and outlines certification for funds (see **R2.25**). However the manual does not include step-by-step instructions for entering requisitions, instruction on using blanket purchase orders, or a description of emergency purchasing procedures. Furthermore, the manual was issued to staff when it was approved by the Board in December 2000, but additional copies have not been distributed since the original printing. Also, the policy manual has not been updated since its original issue date. See the **contract management** section for further information.

Conclusion

The District **partially implemented** *this recommendation.* ECCSD should revise its purchasing manual to include step-by-step instructions for entering requisitions, which should include examples of the computer screens and command prompts. Additionally, the manual should include District procedures for processing blanket purchase orders and emergency purchasing procedures. The manual should be updated on an annual basis or when significant changes occur, and the District should take steps to ensure that all employees receive a copy. If possible, an electronic copy should be made available through the District intranet (see the **technology** section). See the **contract management** section for further information.

R2.33 **The District should continue to take steps to move toward District-wide online purchasing. Online purchasing would greatly reduce the current duplication of work and allow the staff currently entering requisitions in the purchasing system to devote more of their time to value-added activities. Increasing the efficiency of the purchasing system would also deter operational units from procuring goods and services outside the established control environment.**

District's 1999 Economy and Efficiency Plan Response

ECCSD is continuing its efforts to train staff on online requisitioning. It is the goal of the Treasurer's Office to dispense a purchase order within 24 hours of receiving a requisition online.

Implementation Status

All operating units of the District are required to process requisitions online. However, the system is not fully automated. Teachers initiate the process with a hand written requisition that is given to the building secretary. The building secretary enters the information into the automated USAS system. Both the paper and the electronic

requisition are given to the supervisor for review and approval prior to sending the electronic requisition to the Accounts Payable Department for conversion to a purchase order.

Implementation Assessment

ECCSD's staff is using the online purchasing system, but paper requisitions are still required in the initial steps of the purchasing process. Also, ECCSD staff does not consistently complete requisitions or ensure that all required information is included. In some cases, this lengthens the time required to complete a requisition and may create an issue of ORC noncompliance for the District (see **R2.30**).

Conclusion

*The District **partially implemented** this recommendation*. ECCSD should require all requisitions to be submitted through the online system. Furthermore, supervisors and employees within the Treasurer's Office should ensure that all requisitions are completed in full. Requisitions with missing or incomplete information should be returned to the staff member for completion. Purchases that do not have accompanying requisition documentation should not be accepted.

R2.34 **The District should implement a vendor performance monitoring program using USAS Software. Information that should be gathered includes, but is not limited to:**

- **Quality of goods,**
- **Timeliness of deliveries,**
- **Vendors' responsiveness to problems,**
- **Goods continually being out of stock,**
- **Price variances between catalog and invoice, and**
- **Complaints concerning vendors expressed by the operational units.**

This program would enable the Treasurer's Office to steer operational units away from vendors who have performed poorly in the past.

District's 1999 Economy and Efficiency Plan Response

The District will refer this recommendation to BAC for implementation   strategies.

Implementation Status

According to the treasurer, ECCSD's department heads monitor vendor performance. All vendor contracts are presented to the Board for approval.

Implementation Assessment

Although ECCSD's department heads monitor vendor performance, the District does not have formal written policies and procedures for monitoring vendor performance. Set guidelines would help guarantee uniformity between the departments' evaluations of vendors and help to ensure that the evaluation process is completed accurately. Vendor evaluations help school districts determine how a particular vendor performs the agreed upon services, as well as quality of the products provided. See the **contract management** section for further information.

Conclusion

The District **did not implement** *this recommendation.* ECCSD should adopt written policies and procedures for vendor evaluations. The policy should include formal procedures to be followed by each operational unit for the inspection of goods and services from vendors and require documentation of the quality, timeliness, price and satisfaction with those goods and services.

By developing and implementing a formal inspection and review process, ECCSD could ensure that goods and services meet the standards of the District. Any comments, positive or negative, could be tracked and available for the rest of ECCSD through the proper use of the USAS software. This software provides a field within the vendor master file for recording comments about vendor performance. ECCSD should encourage operational units to use this field. See the **contract management** section for further information.

R2.35 **ECCSD should develop and implement a process by which fixed asset records are properly developed, maintained, monitored and reported. The software offered by the DAS site should be used to serve this purpose. If the District does not deem the manual entry of information resulting from the recent appraisal done on District assets as a cost effective manner to input the data into the fixed asset system, they should include electronic transfer of the appraisal data to the fixed asset system as part of the request for proposal issued for the next appraisal contract. Once historical information has been entered, the District should ensure all additions and deletions are properly entered into the system throughout the year. Year end amounts should be substantiated by a physical inventory count. Any differences between the physical inventory count and the perpetual inventory should be investigated and resolved.**

District's 1999 Economy and Efficiency Plan Response

The District has a fixed asset monitoring system with the State software accounting system. The District will implement the system.

Implementation Status

ECCSD tracks fixed assets through LNOCA's School Asset Accounting System (SAAS). SAAS allows for the District to code purchases, and at year end, a report can be generated showing all the additions by category (land, auto, or equipment). As part of the GAAP conversion process, the District's accounting firm obtains a record of all new fixed assets purchased for the current year and then performs procedures to determine what was deleted from the record.

The last fixed asset inventory the District performed was in January 2000. Since then, neither a physical nor a perpetual inventory has been completed by the District. According to the treasurer, the District is in the process of obtaining bids so that another inventory can be completed this year to meet GASB 34 requirements. The District issued a purchase order in August 2003 for inventory services totaling approximately $16,000.

Implementation Assessment

ECCSD uses LNOCA's SAAS system to record and code the purchases of fixed assets. At year end, a report is used to complete the GAAP conversion process. This process is inefficient because updates to the system do not occur at regular intervals or when fixed assets are purchased or discarded. Furthermore, procedures have not been developed to ensure that purchases are coded correctly. ECCSD does not complete an annual physical or a perpetual inventory

The best way to determine if the amounts reported in the accounting system are accurate is to complete a physical or perpetual inventory each year. After the inventory is completed, District records should be updated. Prior to selling and/or discarding District property, ECCSD staff should be required to complete a form which lists all the pertinent information concerning the asset and submit it to the treasurer for approval. This information should be used to update the District records. See **R4.3** for further discussion regarding fixed asset inventories.

Conclusion

*The District **partially implemented** this recommendation.* ECCSD should continue using the LNOCA SAAS system to record its fixed assets. It should also develop and implement a process to monitor use of this system and ensure the accuracy of the records. As part of the monitoring process, ECCSD should require that a physical inventory be completed annually and compared to the perpetual inventory records. All variances should be investigated and corrected immediately. Annual inventories of fixed assets should be done in-house to reduce costs. Each building or department should be provided with a record of its fixed assets and the building principal or department head should be responsible for completing the inventory and returning it to the Treasurer's Office.

Employees within the Treasurer's Office can then enter the updated information into the system. Beyond providing information for GASB 34 compliance, an annual fixed asset inventory will help the District maintain better control over high dollar purchases by ensuring their physical existence.

Financial Implication: By completing the fixed assets inventory process in-house rather than contracting out this function, the District could avoid expenditures of approximately $16,000 annually.

R2.36 **The District should investigate the purchase of a textbook inventory system. The textbook inventory system would be used to reconcile all textbooks, new purchases, transfers, and books which have been damaged, lost or destroyed throughout the year to the physical inventory of the department chairs or principals. The department chairs or principals should be held responsible for their school's textbooks. Students who lost their textbooks should also be held accountable.**

District's 1999 Economy and Efficiency Plan Response

The District will investigate the textbook inventory system software. The recommendation will be forwarded to BAC for review

Implementation Status

Currently the District does not have a textbook inventory system in place.

Implementation Assessment

LNOCA has been working to develop a textbook inventory system. According to LNOCA officials, a system is being piloted and should be ready for distribution in FY 2003-04. Once the system is implemented and tested, member Districts will be provided the software at no additional cost. However, member districts will be responsible for obtaining the scanners and barcodes used with the program. The actual cost to purchase these items has not been determined.

Conclusion

*The District **did not implement** this recommendation*. ECCSD should continue to work with LNOCA to obtain a textbook inventory software system. The District should determine the number of scanners needed and the cost for implementing the barcode system. The cost should include any maintenance and upgrades which may be required. Sources of revenue to fund the project should also be explored. This information should be incorporated into the District CIP, budget, and five-year forecast.

Vendor Payment

R2.37 The District should change the 20 percent threshold to a lower threshold. A 10 percent threshold should cover items omitted from the purchase order such as freight and handling charges, or if an outdated price list was used. Discretion should still be used by the accounts payable clerk with unusual situations.

District's 1999 Economy and Efficiency Plan Response

The District will lower the 20 percent threshold to 10 percent for invoices that exceed the purchase order amount. Any invoices over the 10 percent of the purchase order amount will require the treasurer's written authorization to process.

Implementation Status

The District is still allowing invoices to be processed without additional approval if the amount exceeds the original purchase order by less than 20 percent. The purchasing agent stated that this is adequate if the overage is associated with shipping and handling, which in many cases may have been omitted with the requisition.

Implementation Assessment

The District has not taken the necessary steps to ensure that requisitions contain all essential information, thereby allowing large variances from the original purchase order amount. The 20 percent overage rule reduces the District's ability to control expenditures.

Conclusion

*The District **did not implement** this recommendation*. ECCSD should take the necessary steps to ensure that all essential items are included in the requisitions prior to the issuance of a purchase order. This will reduce the number of adjustments to purchase orders after they are issued. The District should reduce its threshold to 10 percent as previously recommended. A 10 percent threshold would be adequate to cover unanticipated shipping and handling charges while providing the District greater control of expenditures.

R2.38 The District should implement a system to monitor and process invoices in a timelier manner. This should include following up with the appropriate operating unit to ensure all documentation required to process vendor payments is turned in on a timely basis. ECCSD should maintain a record of discounts taken and discounts lost, and periodically review this information to help assess the effectiveness of its payment procedures. The District should fully use the net 30 terms since no interest charge or penalty will be incurred. Additional use of the Automated Clearing House (ACH) network for vendor payments should also be evaluated.

District's 1999 Economy and Efficiency Plan Response

The District has put all payments on a two-week payment cycle, and has a policy to take all discounts given. The District will investigate the use of ACH network for vendor payments, and the result of the investigation will be forwarded to BAC.

Implementation Status

ECCSD processed 5,477 vendor checks during FY 2002-03. This amounted to roughly 228 checks being processed on a biweekly basis. According to the treasurer, the usual turn-around time for processing checks is estimated to be three weeks (15 business days), which is down from a median of five weeks (24 business days) cited in the 1999 Performance Audit. The reduction in turn-around time, according to the purchasing agent, is attributed to the current requisition process. Once a purchase order is issued, and approved, the Purchasing Department orders the item. Some vendors bill immediately when orders are placed, and some send bills with the order. The District waits until the department forwards the onion skin copy of the purchase order before payment is made. However, the District continues to have problems collecting the required documentation from supervisors in a timely manner so that payment can be made. Supervisors have been informed of the process used to ensure prompt payment.

Implementation Assessment

Although ECCSD has reduced the turn-around time for payment since 1999, the District does not track the following recommended items:

- The length of time for vendors to receive payment,
- Whether all applicable discounts are being used, and
- If payments are made in a timely manner.

Additionally, the District does not use the Automated Clearing House (ACH) network to issue vendor payments. According to the treasurer and the purchasing agent, checks are issued every two weeks for invoices that have been received. Delays can occur when the building supervisors do not turn in their copy of the purchase order or when incorrect invoices are received from a vendor.

Failure to properly monitor vendor payments could result in late fees being assessed or expiration of discounts. It is critical that the District implement procedures to ensure that only high quality vendors are used and that all applicable discounts are used.

Conclusion

*The District **partially implemented** this recommendation.* ECCSD should develop guidelines to monitor vendor performance and institute a vendor payment processing system using ACH. Furthermore, the District should ensure that invoices are processed in a timely manner. As part of the system, the treasurer should track historical data on vendor performance to ensure high quality and low cost goods (see **R2.34**).

ECCSD should routinely evaluate the prices each department pays for goods and services to identify opportunities to reduce costs. A system should be implemented with procedures to assess cycle time for vendor payment to ensure vendors are paid in a timely manner. This system should aid the District in identifying opportunities to obtain discounts for early payment.

R2.39 ECCSD should perform bank reconciliations and investigate unusual reconciling items on a monthly basis. The Treasurer's Office should provide monthly bank reconciliations to the Board so they can be compared to the monthly cash reports. In addition, the District should examine its compensating balances in light of current fee structures and interest rates. Bids for banking services should be solicited periodically to ensure that the District is being charge competitive rates for these services.

District's 1999 Economy and Efficiency Plan Response

The District will perform monthly reconciliations for all accounts. The reconciliation will be included in the information packet given to the Board of Education.

In June 1999, the Board authorized the Treasurer to do a Request for Proposal (RFP) for banking services to area banks. The finance committee will evaluate the proposals which are received by the District.

Implementation Status

Historically, the District has failed to reconcile its books. The FY 1998-99, FY 1999-00 and FY 2000-01 financial audits and management letters have reported a reconciliation problem with the District. As of August 19, 2003, the District still has a $9,297.50 unexplained variance (bank over book).

According to the treasurer, ECCSD has not completed a RFP for banking services. It has been the District's practice to use local banks for all the District's banking needs.

Implementation Assessment

ECCSD books continue to not be reconciled, although the District has reportedly taken steps to correct this problem. Failure to reconcile the District's books prohibits the District from providing an accurate picture of its financial status. Since the District is in fiscal emergency, it is critical that an accurate picture be presented. In August 2003, the District hired an outside consultant at a cost of $28,000, to reconcile its financial accounts. Since the 1999 Performance Audit, ECCSD has hired a number of vendors to perform reconciliation services.

ECCSD did request bids for banking services. According to the treasurer, it has been the Board's unwritten policy to keep their monies within the community, and, therefore, only local banks are used.

Conclusion

*ECCSD **did not implement** this recommendation*. It is imperative that the District reconcile its bank accounts on a monthly basis. Cash is considered a high risk asset because of its liquidity and its desirability. In order for cash to be properly monitored and accounted for, the treasurer must perform monthly bank reconciliations. Because reconciliation of accounts is a common fiscal responsibility of treasurers, the District should consider not contracting this function to an outside vendor, which should be more cost effective and result in timely account reconciliations.

ECCSD should also periodically solicit bids for banking services in accordance with District policy. Fees and interest rates should be compared and the lowest and best bid should be selected. This will allow for the District to ensure it receives the maximum benefit from services provided. If the District wishes to maintain its accounts at a local bank, it can specify its desire to retain a local banking service in its RFP.

Financial Implication: By completing the reconciliation process in-house, the District could avoid contract service expenditures that have recently totaled approximately $28,000 annually.

Payroll

R2.40 The Uniform School Payroll System (USPS) audit report should be reviewed and approved by the assistant treasurer or the treasurer as changes are made to ensure all payroll data is accurate.

District's 1999 Economy and Efficiency Plan Response

Payroll procedures have been revised so the assistant treasurer will review payroll data through the payroll process to ensure accuracy. The audit report will be reviewed and signed by the assistant treasurer once payroll is complete.

Implementation Status

The District reinstated the payroll supervisor position to oversee the payroll process. Currently, the treasurer is completing the payroll reconciliation with the aid of the payroll supervisor. ECCSD's treasurer stated that the payroll account has a variance of over $2,000. The treasurer believes that this amount represents interest which may not have been posted.

Implementation Assessment

The LNOCA system generates a report entitled INICAL that is a text file listing the pay groups, descriptions, total number of jobs processed, and the total gross pay for the current payroll. This report can be used to verify the data entered and the total number of jobs processed is correct. AOS' financial auditors found that this report is not being used. AOS also determined that the treasurer is not authorizing and approving payroll each processing period.

Conclusion

*ECCSD **did not implement** this recommendation.* The USPS audit report should be reviewed and approved by the assistant treasurer or the treasurer as changes are made to ensure all payroll data is accurate. Monthly bank to book reconciliations should be performed and reviewed by the treasurer. All unexplained variances should be investigated and cleared in the month they occur and not carried forward to the next month. The treasurer should use the INICAL report to monitor each pay period.

R2.41 The District should consolidate the 52 regular pays into 26. The consolidation would limit the times operating units would have to gather payroll information. It would also limit the days associated with the distribution of pay checks / direct deposit advices by the Payroll Department and operating units. In addition, the District should try to limit the number of times special pays are run during the year. This could be accomplished by working with the teachers' union to eliminate separate checks by combining them with the normal pay check processing.

District's 1999 Economy and Efficiency Plan Response

As of September 3, 1999, the District has implemented this recommendation. Per negotiated agreement, the certified staff will receive their pay the same day as classified staff.

Implementation Status

The District is now on a 26 regular pay cycle and special pays have been eliminated. However, the District continues to issue separate checks for supplemental pay. According to the treasurer and payroll supervisor, this is done in accordance with the contractual agreement between ECCSD and the collective bargaining units.

Implementation Assessment

ECCSD has reduced the number of regular pay cycles to 26 per fiscal year as recommended. However, the District continues to issue supplemental checks separately. The issuing of supplement checks separately increases the amount of time needed to process payroll.

Conclusion

*The District **partially implemented** this recommendation.* ECCSD should continue to negotiate with the collective bargaining units to eliminate separate checks for supplemental employees by combining the supplemental pays with the normal payroll checks.

R2.42 The District should standardize all attendance forms into one format. The Payroll Department should manually match building attendance sheets against teacher absence forms.

District's 1999 Economy and Efficiency Plan Response

The District is working to standardize payroll forms.

Implementation Status

The District developed a payroll policy and procedures manual in April 2003, and it was adopted by the Board in June. The new manual has copies of the standardized time sheets for certificated and classified employees that are used by all buildings to track teacher attendance and substitute use.

Each building has a building sign-in sheet and an individual attendance sign-in sheet. Teachers are required to sign-in daily and complete their individual attendance sheets. When a teacher is absent, an absence sheet is completed that shows what type of leave the teacher is taking and lists the name of the substitute used for that day. At the end of the two week pay period, the daily sign-sheet is compared to the building sheet and absence report and then signed by the employee's supervisor. All forms are compiled by the building secretary, copies are made, and the originals are sent to the Personnel Department. The Personnel Department matches the attendance sheet to the substitute teacher pay request. All information is then delivered to the Payroll Department for processing.

Substitute teachers complete a substitute daily attendance sheet for the days worked. Forms are turned into the building secretary by Wednesday payday for processing with the next pay. The building secretaries make copies and send the originals to the Personnel Department.

Supplemental pay requests must be made on the District's Request for Payment form. Overtime hours are tracked using the Overtime Sheet and are compared to the Request for Payment sheet before processing for payment.

Implementation Assessment

ECCSD has successfully implemented this recommendation and is using standardized forms for substitute usage, supplemental pay, and attendance records. The use of attendance forms allows the District to track teacher attendance with greater accuracy. Although this method appears to be efficient, errors can and do occur. ECCSD should consider converting to an automated system (see **R2.43**). An automated attendance system would improve the accuracy of payroll information and reduce data entry errors.

Conclusion

*The District **fully implemented** this recommendation.* ECCSD should continue to use its payroll forms. The District should implement a process to regularly review the forms to ensure that they continue to meet District needs.

R2.43 ECCSD should install an automated time and attendance system at the various buildings throughout the District given the significant amount of staff hours required to monitor, capture and report time and attendance data.

District's 1999 Economy and Efficiency Plan Response

The District will consider the recommendation to install automated time and attendance machines in the District. This may require consultation and/or negotiations with collective bargaining units.

Implementation Status

The District does not have an automated time and attendance system. Time and attendance are tracked through the use of manual sign in sheets (see **R2.42**).

Implementation Assessment

Payroll is the District's largest expenditure. Errors are costly and increase the amount of time needed to process payroll. For this reason, ECCSD should take every possible precautionary measure to ensure that all information is free of errors. The installation of an automated time and attendance system would aid in improving the accuracy of information and reduce data entry errors. Also, automated time and attendance would ensure that employees are paid for time worked and that overtime or leave is accurately recorded.

Conclusion

*The District **did not implement** this recommendation.* ECCSD should implement an automated time and attendance system. An automated system would allow for a more accurate accounting of employee attendance and would help reduce the risk of errors or fraud.

R2.44 If ECCSD does not implement an automated time and attendance system, the Payroll Department should take an active role in designing and implementing procedures that would make the process more efficient. The District should consider the use of a payroll worksheet for collecting time and attendance data.

The District should also consider having all employees that do not currently complete an absence from and extra time form to do so. All exception forms should be signed by both the employee and the supervisor. In addition, the Payroll Department should work with the District's DAS site to allow operational units to submit time and attendance data electronically using the wide area network. This information could be sorted in a database, verified by the Payroll Department and then uploaded into the payroll system. The Payroll Department could use the payroll worksheet to verify that the data submitted is complete and accurate before it is uploaded. This would reduce the large number of duplicate entries currently being performed each pay period.

District's 1999 Economy and Efficiency Plan Response

The District has begun implementing procedures to expedite gathering the time and attendance data more efficiently. The Payroll Department has implemented a procedure for submitting time sheets electronically. This would eliminate paper and can be stored more efficiently.

Implementation Status, Assessment and Conclusion

The District **partially implemented** this recommendation. See **R2.42** and **R2.43.**

R2.45 The District should develop a policy and procedures manual related to the payroll process for the Payroll Department. Copies of sample computer screens and other documentation should be included. Board policies, statutory requirements and District due dates should also be included in the manual. This manual should be reviewed annually and kept current. In addition, the Payroll Department should provide periodic training to staff on payroll policies and procedures to ensure that staff is familiar with their responsibilities.

District's 1999 Economy and Efficiency Plan Response

The District has contracted with Ohio School Boards Association (OSBA) to review and revise the policy for payroll.

Implementation Status

ECCSD is using a newly developed payroll manual, which was approved by the Board in June 2003. This manual includes step-by-step instructions on how the payroll staff is to complete the payroll process, and includes examples of the computer screens for each step. Payroll is processed on the LNOCA USPS system and the District has taken steps to ensure that all appropriate employees have been trained on the system. The last training course attended by ECCSD payroll staff was in December 2002.

Implementation Assessment

ECCSD has developed and implemented a comprehensive payroll manual. The payroll manual includes step-by-step details on how to process payroll, including examples of computer screens, and informs the user what type of information should be used to process payroll. However, the manual does not include Board policies, statutory requirements or District due dates.

All payroll staff attended LNOCA training courses on payroll operations. These courses include State, local and federal government requirements along with detailed information on how to process the District's payroll.

It is imperative that all requirements, including Board policies, statutory requirements, and District due dates, are included in the Districts payroll users manual. Failure to include all pertinent information within the payroll manual could result in errors and costly delays in processing payroll.

Conclusion

*The District **partially implemented** this recommendation.* ECCSD should revise its payroll manual to include Board policies, statutory requirements, and District due dates. This manual should be reviewed annually to ensure that current Board policies and procedures are included.

R2.46 ECCSD should develop a payroll user manual for the operational units. This manual should outline the specific steps to be followed and the control mechanisms to be employed by each operational unit. The procedures developed and incorporated in the manual should be supported and enforced by District management. The District should continue providing periodic training to building clerical and secretarial staff on payroll preparation.

District's 1999 Economy and Efficiency Plan Response

The District will create a payroll user manual for all departments and buildings.

Implementation Status

The District does not have a payroll user's manual designed for its operational units.

Implementation Assessment

ECCSD developed a payroll user's manual for its payroll staff, but failed to develop and implement a user's manual for its operational units. Staff should be provided with a manual that documents control mechanisms and procedural requirements for use by the units in processing payroll. ECCSD should ensure that all management, clerical and secretarial staff are properly trained in payroll requirements.

Conclusion

*The District **did not implement** this recommendation.* ECCSD should develop and implement a payroll user's manual for the operational units which includes control mechanisms to be employed by each operational unit. This manual should detail the

forms to be completed and the due dates for submitting these forms, along with Board policies and procedures relating to payroll. ECCSD should ensure that all appropriate employees are provided with training on the payroll system on an annual basis.

R2.47 ECCSD should design and implement proper management controls to ensure the accuracy and completeness of payroll data entered into the payroll system. Such controls should include the proper use of various edit reports and control totals. Control totals should be used to verify any changes to exception-based employees are correct.

In addition, because payroll and related benefits represent the majority of ECCSD's expenditures, the District should consider establishing additional management controls, including the following:

- **Reviewing employees who receive large pay outs for the payroll period.**

- **Reviewing employees who are being paid for hours in excess of their regular hours by a certain amount.**

- **Reviewing employees who have used leave for which they have no leave available.**

- **Reviewing employees who were not paid in the previous payroll run.**

All variances noted in conjunction with these control procedures should be compared to source documentation to ensure accuracy of payroll prior to issuing payments to employees and posting to the general ledger.

District's 1999 Economy and Efficiency Plan Response

The District is reviewing payroll procedures to ensure accuracy of the data entered. Check points have been established in the payroll procedures to ensure data entered is correct.

Implementation Status and Assessment

The District does not have formal policies and procedures to ensure the accuracy and completeness of the payroll data entered into the payroll system. LNOCA produces a payroll report through USPS entitled INICAL that lists the pay groups, descriptions, total number of jobs processed, and the total gross pay for the current payroll. This report is used to verify the data entered into the system and the total number of jobs. The financial audit management letters for FY 1998-99 through FY 2001-02 reported that ECCSD does not use this report.

Conclusion

*ECCSD **did not implement** this recommendation.* The payroll supervisor and the treasurer should use the INICAL report to review employee payroll information and to ensure accuracy of each payroll processed.

R2.48 The District should discontinue manual tracking of leave in the Personnel Department, and the USPS payroll software should be fully utilized and relied upon as the official record for all District payroll and leave information. Proper utilization of controls over verification of data entry, such as attendance edit reports, should ensure that leave information in the payroll system is accurate and compete for every payroll.

District's 1999 Economy and Efficiency Plan Response

District will utilize the state software for tracking all leave.

Implementation Status

ECCSD tracks leave through the LNOCA USPS system. Leave request forms are completed by staff and submitted to the Personnel Department. The information is sent to payroll and is compared to the information on the attendance sheets to verify accuracy. The leave is entered into the computer system and a leave report is generated. Leave balances are recorded on the employee's check stub, which allows staff to view their balances.

Implementation Assessment

ECCSD has successfully implemented the recommendation. Using an automated system has reduced the amount of time required to process payroll. Also, by placing leave balances on payroll stubs, staff is able to view their balances each pay period.

Conclusion

*The District **fully implemented** this recommendation.* By implementing the automated system, the District is able to track leave more efficiently, which reduces the time required to process payroll and investigate problems associated with leave.

R2.49 Period substitute information should be submitted to the Payroll Department and paid on the same cycle as regular payroll.

District's 1999 Economy and Efficiency Plan Response

Substitute pay is submitted and processed with the regular pay cycle.

Implementation Status

The Payroll Department has implemented new time sheets for substitute teachers. All information is required to be submitted on time or pay will be deferred. Substitute time sheets are compared to daily attendance sheets and updated on the computer each pay period. Substitutes are paid at the same time as regular District employees.

Implementation Assessment

The District has designed substitute payroll forms. All forms are completed by the substitute and submitted to payroll by a given date. The information is then compared to the building sign-in sheets and leave request sheets (see **R2.42**). All information is processed and submitted with the regular payroll cycle. Substitutes are no longer paid through a separate payroll run. The District's implementation of this process has reduced the amount of time and the cost associated with processing substitutes' payroll.

Conclusion

*The District **fully implemented** this recommendation.* ECCSD has been able to reduce the cost and amount of time needed to process payroll for substitute teachers by changing the payroll process for substitutes to coincide with regular District employees. ECCSD should continue to look for cost saving procedures in processing its payroll.

R2.50 ECCSD should expand the use of direct deposit and consider negotiating mandatory direct deposit in future union agreements.

District's 1999 Economy and Efficiency Plan Response

The District encourages its employees to use direct deposit. In its next round of negotiations, the District will propose mandatory direct deposit.

Implementation Status

ECCSD did not make direct deposit mandatory. The treasurer continues to encourage the use of direct deposit, and ECCSD now has 74 percent of its employees using direct deposit. Although the number of employees who use direct deposit has increased, supplemental pay is still being paid with a regular check.

Implementation Assessment

ECCSD has made an effort to convince staff to convert to direct deposit, but does not offer any type of incentive to for staff to convert to direct deposit.

Conclusion

*The District **did not implement** this recommendation.* ECCSD should continue its efforts to get 100 percent participation for direct deposit, and should seek to make this mandatory in future union negotiations. ECCSD should stress to the union that due to its current financial situation all cost reduction methods should be implemented. ECCSD should also stress the following benefits of direct deposit to its staff:

- Pay is always on time;
- Money is accessible faster;
- Time spent traveling to the bank to cash their checks is reduced;
- Time spent waiting to make deposits is reduced; and
- Gasoline for travel to and from the bank is not used.

R2.51 The District should track manual checks to record the reasons and review causes.

District's 1999 Economy and Efficiency Plan Response

The assistant treasurer approves manual checks and reconciles all discrepancies. The District will continue its efforts to limit manual checks.

Implementation Status

According to the treasurer, manual payroll checks are issued for payroll taxes. On average this amounts to 10 checks per fiscal year. All manual checks issued are prepared, signed, and reconciled by the treasurer. Also, all checks, whether written or computer generated, are run through the payroll system. The payroll account is reconciled each month by the treasurer.

Implementation Assessment

ECCSD does not have checks and balances in place for issuing manual payroll checks. The process of issuing manual checks to employees has been eliminated, but manual checks for payroll taxes are still being issued. According to the treasurer and the purchasing agent, approximately 10 manual checks were written during FY 2002-03 to pay payroll taxes.

ECCSD has not segregated the duties of personnel responsible for processing the manual checks. The treasurer approves and issues manual checks and completes the monthly reconciliation of the payroll account. Only the treasurer monitors these payments. The Board is given a monthly payroll account reconciliation, which is also prepared by the treasurer. The absence of an adequate review process could lead to errors being left undetected. Also, the absence of segregated duties leaves the District susceptible to errors and fraud.

Conclusion

*ECCSD **partially implemented** this recommendation.* All payroll checks, whether manual or computer generated, should be issued by the Payroll Department. The treasurer should continue to complete the reconciliation process. This would help ensure a segregation of duties and allow for someone independent of the payroll process to verify the accuracy of the information presented.

R2.52 District security should deliver all checks to the buildings where they should be distributed to the employees. The District should not continue the practice of allowing employees to pick up paychecks in advance.

District's 1999 Economy and Efficiency Plan Response

The District has a security service that delivers checks to buildings on payday. Checks are given to one of three designated people or they are returned to Central Office.

Implementation Status

ECCSD has successfully implemented the audit recommendation. Employees are no longer allowed to pick up checks in advance. When the schools are open, security delivers the checks for each building to a designated person. When school is closed, checks are mailed to the employees' homes.

Implementation Assessment

Through inquiry and observation, it was determined that District security personnel now deliver all checks to the buildings. When checks are issued on dates that the District is scheduled to be closed, they are mailed to the employee's home. This process affords the District greater accountability over the payroll process, and helps ensure that only authorized individuals receive paychecks.

<u>*Conclusion*</u>

*ECCSD has **fully implemented** this recommendation.* By doing so, the District control procedures for the delivery of payroll checks have been strengthened.

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Human Resources

Summary

East Cleveland City School District (ECCSD) has fully implemented 10 (29 percent) of the 1999 Performance Audit recommendations. ECCSD reduced three assistant principal/curriculum specialist positions, which helped the District maintain a student to assistant principal/curriculum specialist ratio higher than the 400:1 level recommended in the 1999 Performance Audit. The District also reduced two librarian positions.

Using the Uniform Staff Payroll System (USPS), ECCSD now tracks leave electronically rather than manually. Electronic tracking allows the District to more effectively manage leave taken and streamlines the process of determining if employees are requesting more time than defined in their respective negotiated labor agreements. In an effort to control rising health care costs, the District also implemented an employee plus one enrollment option during FY 2002-03. Additionally, ECCSD established a methodology to ensure compliance with Ohio Revised Code (ORC) §3313.48, which requires schools to be open for instruction no less than 182 days in each school year.

Partial implementation was achieved on seven recommendations. Although ECCSD uses USPS for payroll, supplemental information, and leave balances, the system is not used to track discipline and grievance actions, substitute placement rates, exit interviews, and performance assessments. ECCSD increased the rate of compensation for substitute teachers, appointed 80 substitute teachers, and modified the schedule of the substitute clerk to provide evening hours for substitute placement. However, the District has not renegotiated the certificated contract to limit the number of teachers granted professional leave on any one day.

ECCSD did not implement 18 (51 percent) of the 1999 Performance Audit recommendations, some of which involve implementing an automated substitute calling system, establishing consistent health care contributions for all employees, and requiring a physician's statement for absences beyond three days. An automated substitute calling system has not been implemented because the District believes a staff member would be required to oversee the system and the number of substitutes called each day would not justify the cost. However, an automated system has several benefits, including eliminating the labor intensive task of calling substitutes manually and linking teachers to preferred substitutes or substitute groups.

Employee contributions for health care continue to vary by plan and employee classification, whether certificated or classified. A consistent contribution would help ECCSD offset rising health care costs and reduce its operating costs. In addition, the District does not require

employees who have used more than three consecutive days of sick leave to submit a physician's statement, which would help monitor and manage sick leave abuse.

The following table represents a summary of the implementation costs, annual recurring costs, and annual cost savings for the recommendations in this section of the report.   Only recommendations with quantifiable financial implications are listed.

Summary of Financial Implications Not Subject to Negotiations

Recommendations	Implementation Costs (One-time)	Annual Recurring Costs	Annual Cost Savings
R3.A Reduce clerical staffing by 12.0 FTEs			$494,000
R3.4 Reduce ESP staffing by 22.0 FTEs			$ 1,420,000
R3.9 Reduce certificated leave usage by one day per FTE			$42,000
R3.11 Purchase an automated substitute calling system	$900	$300	
Total	**$900**	**$300**	**$1,956,000**

Summary of Financial Implications Subject to Negotiations

Recommendations	Annual Cost Savings
R3.13 Eliminate the MetLife dental plan and require an employee contribution toward monthly dental premiums	$229,000
R3.14 Require a flat 10 percent employee contribution toward monthly medical premiums	$85,000
Total	**$314,000**

Staffing Analysis

F3.A   **Table 3-1** illustrates the actual staffing levels at ECCSD and the peer districts during FY 2002-03 as reported in the Educational Management Information System (EMIS). Adjustments were made to the corresponding EMIS reports based upon interviews with appropriate District personnel to ensure consistent reporting. All positions are shown as full-time equivalents (FTEs) and are based on eight hours per day for classified staff.

Table 3-1: FTE Staffing Levels

Category	ECCSD FY 2002-03	ECCSD FY 2003-04	CH-UHCSD FY 2002-03	ECSD FY 2002-03	WHCSD FY 2002-03	Peer Avg
Administrators: Subtotal	**37.2**	**30.2**	**55.7**	**27.0**	**34.0**	**38.9**
Central Based Administrators	3.0	3.0	5.0	4.0	5.0	4.7
Site Based Administrators	33.2	27.2	49.3	22.0	29.0	33.4
Other Administrators	1.0	N/A	1.4	1.0	N/A	1.2
Professional Education: Subtotal	**407.9**	**337.9**	**578.8**	**418.2**	**243.0**	**413.3**
Curriculum Specialist	8.0	7.0	11.5	N/A	N/A	11.5
Counseling	10.0	9.0	23.1	11.0	10.0	14.7
Librarian / Media	5.0	5.0	11.6	3.0	4.0	6.2
Remedial Specialists	7.0	7.0	1.5	11.4	7.0	6.6
Regular Education Teaching	266.0	209.0	386.4	307.2	172.0	288.5
Special Education Teaching	54.0	51.0	79.0	48.0	30.	52.3
Vocational Education Teaching	22.0	19.0	17.6	12.0	11.0	13.5
Tutor / Small Group Instructor	N/A	N/A	12.1	0.6	N/A	6.3
Audio-Visual Staff	N/A	N/A	N/A	1.0	1.0	1.0
Educational Service Personnel Teacher [1]	26.0	23.0	16.8	22.0	6.0	14.9
Supplemental Service Teacher (Spec. Ed.)	N/A	N/A	1.0	1.0	N/A	1.0
Permanent Substitute	2.0	N/A	N/A	N/A	2.0	2.0
Other Professional	7.9	7.9	18.2	1.0	N/A	9.6
Professional – Other	**26.0**	**26.0**	**46.5**	**23.8**	**7.0**	**25.7**
Technical: Subtotal	**12.8**	**12.0**	**15.9**	**19.8**	**1.8**	**12.5**
Computer Operating	1.0	1.0	6.0	2.7	N/A	4.4
Graphic Arts	N/A	N/A	N/A	N/A	1.0	1.0
Practical Nursing	N/A	N/A	1.7	3.5	N/A	2.6
Computer Programming	5.0	5.0	0.9	1.8	N/A	1.4
Purchasing Agent	1.0	1.0	N/A	0.9	N/A	0.9
Library Technician	5.8	5.0	1.0	4.3	N/A	2.7
Library Aide	N/A	N/A	4.6	4.7	0.8	3.4
Other Technical	N/A	N/A	1.7	1.9	N/A	1.8
Office / Clerical: Subtotal	**100.7**	**89.8**	**165.2**	**93.9**	**39.9**	**99.7**
Bookkeeping	6.0	5.0	7.5	5.4	2.9	5.3
Clerical	52.1	47.3	66.3	38.2	15.5	40.0
Messenger	1.0	1.0	N/A	N/A	N/A	N/A
Records Managing	1.0	1.0	N/A	N/A	1.0	1.0
Teaching Aide	39.1	34.0	91.4	44.7	18.7	51.6
Parent Mentor	0.7	0.7	N/A	N/A	N/A	N/A
Other Office / Clerical	0.8	0.8	N/A	5.6	1.8	3.7
Crafts / Trades	**6.0**	**6.0**	**17.4**	**21.0**	**2.3**	**13.6**
Transportation	**10.7**	**4.5**	**29.7**	**35.1**	**14.1**	**26.3**
Custodial	**61.4**	**54.0**	**29.2**	**50.8**	**21.4**	**33.8**
Elevator Operating	**N/A**	**N/A**	**N/A**	**0.7**	**N/A**	**0.7**
Food Service	**21.1**	**21.1**	**30.5**	**20.3**	**15.4**	**22.1**
Guard / Watchman	**0.9**	**0.9**	**N/A**	**10.3**	**5.2**	**7.8**
Monitoring	**3.0**	**3.0**	**44.3**	**19.4**	**0.5**	**21.4**
Stores Handling	**N/A**	**N/A**	**1.0**	**N/A**	**N/A**	**1.0**
Grounds Keeping	**N/A**	**N/A**	**2.0**	**4.0**	**1.0**	**2.3**
Other Service Worker / Laborer	**N/A**	**N/A**	**56.0**	**1.5**	**N/A**	**28.8**
Total FTEs	**687.7**	**585.4**	**1,072.2**	**745.8**	**385.6**	**734.5**

Source: FY 2002-03 EMIS Staff Summary Reports and interviews

[1] The educational service personnel classification only includes art, music, and physical education teachers at the elementary level. All other positions classified as educational service personnel according to the Ohio Administrative Code are coded separately in EMIS.

Staffing levels within a school district vary depending upon the number of students enrolled. **Table 3-2** shows the staffing levels per 1,000 Average Daily Membership (ADM) at ECCSD and the peer districts for FY 2002-03.

Table 3-2: FTE Staffing Levels per 1,000 ADM

Category	ECCSD FY 2002-03	ECCSD FY 2003-04	CH-UHCSD FY 2002-03	ECSD FY 2002-03	WHCSD FY 2002-03	Peer Avg
ADM	5,293	4,936 [1]	6,952	5,870	2,942	5,255
Administrators: Subtotal	**7.1**	**6.1**	**7.8**	**4.6**	**11.6**	**8.0**
Central Based Administrators	0.6	0.6	0.7	0.7	1.7	1.0
Site Based Administrators	6.3	5.5	7.1	3.7	9.9	6.9
Other Administrators	0.2	N/A	N/A	0.2	N/A	0.2
Professional Education: Subtotal	**77.1**	**68.3**	**83.2**	**71.2**	**82.6**	**79.0**
Curriculum Specialist	1.5	1.4	1.7	N/A	N/A	1.7
Counseling	1.9	1.8	3.3	1.9	3.4	2.9
Librarian / Media	0.9	1.0	1.7	0.5	1.4	1.2
Remedial Specialists	1.3	1.4	0.2	1.9	2.4	1.5
Regular Education Teaching	50.3	42.3	55.6	52.3	58.5	55.5
Special Education Teaching	10.2	10.3	11.4	8.2	10.2	9.9
Vocational Education Teaching	4.2	3.8	2.5	2.0	3.7	2.8
Tutor / Small Group Instructor	N/A	N/A	1.7	0.1	N/A	0.9
Audio-Visual Staff	N/A	N/A	N/A	0.2	0.3	0.3
Educational Service Personnel Teacher [2]	4.9	4.7	2.4	3.7	2.0	2.7
Supplemental Service Teacher (Spec. Ed.)	N/A	N/A	0.1	0.2	N/A	0.2
Permanent Substitute	0.4	N/A	N/A	N/A	0.7	0.7
Other Professional	1.5	1.6	2.6	0.2	N/A	1.4
Professional – Other	**4.9**	**5.3**	**6.7**	**4.1**	**2.4**	**4.4**
Technical: Subtotal	**2.4**	**2.4**	**2.2**	**3.4**	**0.6**	**2.1**
Computer Operating	0.2	0.2	0.9	0.5	N/A	0.7
Graphic Arts	N/A	N/A	N/A	N/A	0.3	0.3
Practical Nursing	N/A	N/A	0.2	0.6	N/A	0.4
Computer Programming	0.9	1.0	0.1	0.3	N/A	0.2
Purchasing Agent	0.2	0.2	N/A	0.2	N/A	0.2
Library Technician	1.1	1.0	0.1	0.7	N/A	0.4
Library Aide	N/A	N/A	0.7	0.8	0.3	0.6
Other Technical	N/A	N/A	0.2	0.3	N/A	0.3
Office / Clerical: Subtotal	**19.0**	**18.2**	**23.7**	**16.0**	**13.6**	**17.8**
Bookkeeping	1.1	1.0	1.1	0.9	1.0	1.0
Clerical	9.8	9.6	9.5	6.5	5.3	7.1
Messenger	0.2	0.2	N/A	N/A	N/A	N/A
Records Managing	0.2	0.2	N/A	N/A	0.3	0.3
Teaching Aide	7.4	6.9	13.1	7.6	6.4	9.0
Parent Mentor	0.1	0.1	N/A	N/A	N/A	N/A
Other Office / Clerical	0.2	0.2	N/A	1.0	0.6	0.8
Crafts / Trades	**1.1**	**1.2**	**2.5**	**3.6**	**0.8**	**2.3**
Transportation	**2.0**	**0.9**	**4.3**	**6.0**	**4.8**	**5.0**
Custodial	**11.6**	**10.9**	**4.2**	**8.7**	**7.3**	**6.7**
Elevator Operating	**N/A**	**N/A**	**N/A**	**0.1**	**N/A**	**0.1**
Food Service	**4.0**	**4.3**	**4.4**	**3.5**	**5.2**	**4.4**
Guard / Watchman	**0.2**	**0.2**	**N/A**	**1.8**	**1.8**	**1.8**
Monitoring	**0.6**	**0.6**	**6.4**	**3.3**	**0.2**	**3.3**
Stores Handling	**N/A**	**N/A**	**0.1**	**N/A**	**N/A**	**0.1**
Groundskeeping	**N/A**	**N/A**	**0.3**	**0.7**	**0.3**	**0.4**
Other Service Worker / Laborer	**N/A**	**N/A**	**8.1**	**0.3**	**N/A**	**4.2**
Total FTEs	**129.9**	**118.6**	**153.9**	**127.1**	**131.2**	**137.5**

Source: FY 2002-03 EMIS Staff Summary Reports and interviews

[1] FY 2003-04 projected enrollment

[2] The educational service personnel classification only includes art, music, and physical education teachers at the elementary level. All other positions classified as educational service personnel according to the Ohio Administrative Code are coded separately in EMIS

Although ECCSD's staffing per 1,000 ADM, as illustrated in **Table 3-2**, is higher than the peer average in several classifications, overall the District appears adequately staffed. However, there are three areas in which the District has higher staffing levels: Educational Service Personnel (ESP), custodians and clerical personnel. Refer to **R3.4**

for additional information regarding ESP staffing levels, and **R4.26** in the **facilities** section for additional information regarding custodial staffing levels. ECCSD's FY 2003-04 clerical staffing levels of 9.6 FTEs per 1,000 ADM is higher than the peer average and the highest overall.

R3.A The District should ensure that office/clerical staffing resources are being used efficiently and effectively in relation to the needs of the District. A reduction of 12.0 clerical FTEs would make the District comparable to the peer average.

Financial Implication: ECCSD could realize a cost savings of approximately $494,000 by reducing 12.0 clerical FTEs. This assumes an average annual salary of $31,676 per clerical staff member and benefits equal to 30 percent of annual salaries.

Organizational Issues

R3.1 ECCSD should assess each Human Resources Department (HRD) position to determine its necessity. The District should consider realigning functions that would streamline HRD responsibilities and allow for a more effective and efficient human resources operation. The District could consider the following reorganization:

- *Classified Clerk/Employee Services Clerk:* **Coordinate hiring with the personnel director including recruitment, screening (including tracking criminal background checks) and testing for classified positions and benefits administration.**

- *Certificated Clerk/Staff Development Liaison:* **Coordinate with the personnel director enforcement of standards of employment (including teacher certification), formulating and distributing personnel policies and procedures, establishing and maintaining appropriate job descriptions, facilitating District employee evaluations and tracking discipline and grievance actions.**

- *Secretary, Substitute Services/Information Management Clerk***: Track workload indicators and performance measurements, EMIS and other data requirements, substitute placement and track time and attendance data.**

- *Secretary/Executive Secretary***: In addition to current functions, additional duties should include formulating and distributing personnel policies and procedures and preparing school Board minutes.**

After re-aligning the HRD's functions and responsibilities, the HRD should ensure all staff members are properly cross-trained. Cross-training will allow the HRD to operate more efficiently and effectively in instances of staff illness, vacation and turnover.

District's 1999 Economy and Efficiency Plan Response

In cooperation with the treasurer and Personnel Office, we are reviewing staffing and where appropriate will realign staff responsibilities.

Implementation Status

ECCSD's HR department has 3.9 FTEs, an HR director (1.0 FTE), a business service IV (1.0 FTE), a business service III (1.0 FTE), and a business service II (0.9 FTE). The HR director manages the Department's primary functions, which include the following:

- Negotiating and administering collective bargaining agreements;
- Recruiting employees;
- Conducting background checks for new employees;
- Establishes employee payroll system information;
- Responding to grievances;
- Determining disciplinary actions; and
- Administering the worker's compensation program.

The business service IV employee prepares postings for job vacancies; maintains certificated attendance and personnel files; processes the Department's requisitions and purchase orders; and docks employees with negative sick leave balances. The business service III employee schedules substitute teachers; maintains substitute files; posts classified time and attendance; and maintains worker's compensation files. The business service II employee, who is also the central office receptionist, reports classified absences and contacts substitutes as needed; maintains personnel files; and receives and acknowledges receipt of all job applications. An employee in the treasurer's office prepares Board minutes.

Implementation Assessment

The ratio of District employees to HR Department employees is 176:1, which is higher than the ratio of 166:1 from the 1999 Performance Audit. Although ECCSD reduced staffing levels in the HR Department, it did not completely realign the Department's functions and responsibilities as outlined in the recommendation. For instance, the HR director conducts background checks and an employee in the Treasurer's Office prepares Board minutes. Additionally, because the HR Department did not implement the entire

recommendation from the 1999 Performance Audit, some of the duties assigned to Department staff, such as tracking grievances (**R3.29**) and disciplinary actions (**R3.30**), are not being completed.

Conclusion

*ECCSD has **partially implemented** this recommendation.* As the HR Department continues to implement recommendations and refine its policies and procedures, the HR director should assign new tasks to Department staff in a manner that ensures the effectiveness and continuity of work. The director should also ensure that all critical HR job functions are assigned under the new organization.

R3.2 **ECCSD needs to initiate efforts to define requirements for selecting and implementing a Human Resource Information System (HRIS) solution to meet the HRD's critical business needs. The implemented solutions should conform to the overall strategic information systems plan of the District as outlined in the technology utilization section. A HRIS could be used to create and update reports in addition to tracking and administering benefits. Additionally, the District should work together with other school districts using State software and approach the Ohio Department of Education (ODE), as a group, about the feasibility of creating HRIS as part of the Uniform Staff Payroll System (USPS).**

District's 1999 Economy and Efficiency Plan Response

HRD is in the processing of converting to Educational Management Information System (EMIS) through Lakeshore Northeast Ohio Computer Association (LNOCA). This process is a District-wide effort. Once this conversion is complete, an assessment of LNOCA's ability to provide typical HRIS services will be evaluated. This is an evolving project.

Implementation Status

ECCSD uses USPS, which is administered by LNOCA, for administering payroll and tracking supplemental information and employee leave balances. ECCSD works with 17 other school districts, as part of a consortium, to share the costs associated with the creation of the software.

Implementation Assessment

ECCSD has not fully used all the capabilities of the LNOCA system. The executive director of LNOCA indicated that ECCSD could use the system to track grievance and disciplinary actions, exit interviews, performance assessments, and substitute payment rates. LNOCA could easily configure ECCSD's system to make these modifications and

will provide training to HR employees using the system. By not maintaining HR information in one central location, ECCSD must keep paper copies of workload measures. As a result, the risk of misplacing or losing this information increases.

Conclusion

*ECCSD has **partially implemented** this recommendation.* To fully comply with the 1999 recommendation, the HR director should work with the LNOCA executive director to allow ECCSD to track discipline and grievance actions, substitute placement rates, exit interviews and performance assessments. See **R3.29** and **R3.30**.

Staffing/Compensation Analysis

R3.3 **In order to achieve a 400:1 student/assistant principal ratio and to be more in line with the peer district average, the District should consider reducing four secondary curriculum specialists.**

District's 1999 Economy and Efficiency Plan Response

The District maintains a 400:1 student/assistant principal ratio. The curriculum specialist position is an entry-level administrative position. In addition to providing staff supervision and evaluation, they also support the District's commitment to provide a safe and effective learning environment. Due to the District's academic emergency status, curriculum specialists are deployed to assist with curriculum and how it will directly impact student achievement. Reduction of curriculum specialists will detrimentally affect the district. See Response **3.27**.

Implementation Status

Table 3-3 compares ECCSD's student to assistant principal ratio to the peer districts.

Table 3-3: Student to Assistant Principal Ratio Comparison

	ECCSD FY 2002-03	ECCSD FY 2003-04	CH-UHCSD FY 2002-03	ECSD FY 2002-03	WHCSD FY 2002-03	Peer Average
ADM	5,293	4,936	6,952	5,870	2,942	5,255
Assistant Principal	7.0	5.0	4.0	10.0	6.0	6.7
ADM to Assistant Principal	756 to 1.0	987 to 1.0	1,738 to 1.0	587 to 1.0	490 to 1.0	784 to 1.0
Curriculum Specialist	8.0	7.0	11.5	N/A	N/A	N/A
ADM to Assistant Principal/Curriculum Specialist	353 to 1.0	411 to 1.0	449 to 1.0	N/A	N/A	N/A

Source: FY 2002-03 EMIS Staff Summary Reports, Staff Demographics Report, and Student Enrollment Report for ECCSD and the peer districts

As illustrated in **Table 3-3**, ECCSD's student to assistant principal ratio for FY 2002-03 is comparable to the peer average and for FY 2003-04 is higher than the peer average. Furthermore, the District's student to assistant principal/curriculum specialist ratio for FY 2003-04 is above the 400:1 ratio recommended in the 1999 Performance Audit.

Implementation Assessment

At the end of FY 2002-03, ECCSD eliminated two assistant principal positions, one at the middle school and one at the high school, and one curriculum specialist position at the middle school.

Conclusion

*ECCSD has **fully implemented** this recommendation.* Although the District only eliminated two assistant principals and one curriculum specialist, its student to assistant principal ratio is comparable to the peer average and its student to assistant principal/curriculum specialist ratio is above the 400:1 recommended level.

R3.4 **In order to be more in line with the peer district averages and the OAC minimum requirement of 5.0 FTE educational service personnel per 1,000 students, ECCSD should consider reducing two librarians.**

District's 1999 Economy and Efficiency Plan Response

Considering the District's performance on the State Report Card, reducing library staff is not a viable recommendation. We must provide more services, beyond State minimum requirements, to support the mental and physical development of our students. Each building currently has one librarian.

Implementation Status

ECCSD has reduced its librarian staff by three librarians. Two librarians retired, one of which was located at Shaw High School and the other at Chambers Elementary School. The third librarian position was eliminated when the library at Kirk Middle School was closed.

Implementation Assessment

ECCSD has reduced three librarians since 1999, which has saved the District $239,000 in salaries and benefits. Although ECCSD reduced three librarian positions, the District is still well above the OAC minimum requirement of 5.0 FTE education service personnel per 1,000 students. Education service personnel are defined as art, music, and physical education teachers in grades K-8, counselors, librarians, registered nurses and social workers. According to the 2003 Biweekly Payroll Reports, ECCSD has a total of 49.0 education service personnel.

Conclusion

*ECCSD has **fully implemented** this recommendation.* However, additional reductions should be made. When the 49.0 ESP teachers are divided by ECCSD's FY 2002-03 ADM of 5,292, ECCSD has 9.3 FTE education service personnel (ESP) per 1,000 students. If ECCSD adjusts its ESP ratio to the minimum standards identified in the OAC, it could reduce 22.0 FTEs. However, a reduction of less than 22.0 FTEs would allow ECCSD to remain above minimum standards while also reducing costs.

Financial Implication: ECCSD could generate an estimated annual cost savings of approximately $1,420,000 by reducing 22.0 FTEs from ESP classifications. This assumes an estimated annual salary of $49,650 per ESP staff member and benefits equal to 30 percent of annual salaries.

R3.5   Although it is good that middle school teachers are required to have a supervisor/duty period each day, the District should evaluate if this is the best use of teacher resources. The District should consider negotiating an additional instruction period for middle school teachers thereby reducing the number of teachers needed, but requiring the District to hire additional monitors to perform supervisory duties.

<u>*District's 1999 Economy and Efficiency Plan Response*</u>

Middle school students, more than any other age group, require the supervision of trained professionals. This is a position that supports maintaining an orderly and safe learning environment. Further, this type of change would require collective bargaining.

<u>*Implementation Status*</u>

Middle school teachers continue to monitor lunch periods. The supervisory/duty period was not an issue during the last contract negotiations and the District plans to assign middle school teachers a supervisor/duty period in FY 2003-04.

<u>*Implementation Assessment*</u>

ECCSD's middle school has eight class periods per day. **Table 3-4** illustrates the number of class periods and instructional minutes taught per ECCSD teacher in FY 2002-03.

Table 3-4: ECCSD Teachers per Instructional Period for FY 2002-03

Middle School Teachers			High School Teachers		
Minutes	**Period**	**Teachers**	**Minutes**	**Period**	**Teachers**
44	1	3	50	1	3
88	2	2	100	2	2
132	3	1	150	3	2
176	4	1	200	4	5
220	5	45	250	5	11
264	6	9	300	6	65
308	7	0	350	7	1
352	8	0	400	8	1
Total		**61**	**Total**		**90**

Source: 2002-03 master teaching schedules

As shown in **Table 3-4**, 45 (74 percent) of the District's middle school teachers have five instructional periods per day. When the supervisory/duty period is added to the five instructional periods, middle school teachers are with students six out of eight periods. The remaining two periods are available for class preparation and lunch, which are required by Ohio Administrative Code (OAC) 3301-35-05 and Ohio Revised Code (ORC) §3319.07.2, respectively.

ECCSD could negotiate to increase the middle school teachers' number of instructional periods to six and hire monitors to supervise lunch periods. Because teachers would have an additional instructional period, the District may be able to reduce the number of teachers needed to cover current classes. The number of reductions would depend on courses offered and student enrollment.

Conclusion

*ECCSD has **not implemented** this recommendation.* The District should continue to evaluate the cost of having teachers supervise middle school lunch periods and determine if this is the best use of teacher resources, based on the District's educational philosophy and financial situation.

R3.6   ECCSD should implement performance measures established to track the level of effectiveness of the programs which initiate additional compensation. Without identifiable and accurate supplemental cost information, management cannot make informed decisions pertaining to the District's employee resources. The District should budget and track costs associated with supplemental pay. Budgeting and accounting for various supplementals would provide administrators with essential information needed to manage and control employee compensation levels.

District's 1999 Economy and Efficiency Plan Response

With the implementation of EMIS and the use of the Uniform School Accounting System (USAS), we expect to be able to track supplemental pay expenditures. We now require curriculum and other special projects to prepare a product or document to demonstrate what has been accomplished through the paid supplementals.

Implementation Status

The District's certificated agreement details how supplemental positions are filled. ECCSD posts vacant and newly created positions in accordance with provisions identified in the certificated agreement. Applications are first accepted from East Cleveland Education Association (ECEA) bargaining unit members and are opened to non-bargaining unit members if no ECEA member applies or those who apply are not qualified. Preference for reemployment is given to employees with current supplemental contracts who wish to be reemployed in the same activity during the next year. All contracts held by non-bargaining unit employees are posted annually.

Job descriptions for supplemental positions, which are developed by the Board and the ECEA, establish the explicit duties to be performed. Supplemental salaries are a defined percent of the Bachelor's Degree base salary as listed in the salary schedule and the percent increases based on the employee's years of experience in the same activity or sport.

ECCSD uses USAS to track total annual supplemental expenditures, including the employee's name, activity or sport, and amount of supplemental pay. During FY 2002-03, ECCSD spent $211,570, or approximately $40 per ADM, on supplemental contracts.

Implementation Assessment

ECCSD's certificated agreement defines the process for filling supplemental positions and the compensation for each position. Furthermore, the District uses USAS software to track and budget supplemental expenditures.

Conclusion

*ECCSD has **fully implemented** this recommendation.* By tracking and budgeting supplemental expenditures, the District can assess the financial impact of increases in supplemental compensation requested during contract negotiations.

Certificated Substitutes

R3.7 **Because the manual capturing of time and attendance does not allow the District to readily determine if employees are taking more leave than allowed, as defined in the union agreements, and administrators are prevented from effectively managing leave taken, the District should fully utilize the new payroll system. Additionally, ECCSD should discontinue manually tracking leave taken and should rely on the new payroll system to capture leave information. However, the District must implement control procedures to verify the accuracy of the data entered into the system.**

District's 1999 Economy and Efficiency Plan Response

HRD staff is being trained to utilize the State's software accessed through LNOCA. Time and attendance are being recorded with distinctions in sick leave, personal leave and professional development.

Implementation Status

ECCSD tracks leave data through the USPS system. If an employee has used all available leave and a leave request is entered into the system, the operator has the following options:

- Dock the employee for the number of days creating the negative balance;
- Do not post the request; or
- Continue and permit a negative leave balance.

Employees are permitted to have a negative sick leave balance, up to a maximum of five days. The District docks the pay of employees, hour for hour, who do not return their sick

leave balances to either zero or positive status by the end of the fiscal year. The USPS system can also run benefit reports which identify negative leave balances.

Additionally, employees can track leave balances on their paychecks, with leave balances updated every pay period, as an internal control measure. Employees, who suspect erroneous information, can request that the HR department review their leave balances.

Implementation Assessment

ECCSD has utilized the USPS system to track employee leave balances and has created an internal control system. Electronic recording of leave usage allows the District to more easily track leave taken to determine if employees are using more leave than stipulated by the negotiated agreements. The USPS system also enables the District to monitor negative leave balances and ensure employees do not carry over negative balances from year to year. Furthermore, employees can use their paychecks to verify leave balances and report discrepancies to the HR department.

Conclusion

*ECCSD has **fully implemented** this recommendation.* The District should continue to use USPS to track leave and should evaluate existing internal controls to ensure efficient and accurate leave data is maintained.

R3.8   **During FY 1997-98, there were approximately 3,380 instances where ECCSD was unable to place substitute teachers. This shortage is attributed to the fact that the demand for substitutes is much higher than the substitute pool can provide. If ECCSD cannot fill a position with a substitute, then it may opt to ask a teacher to cover the class at an additional cost. The District should increase the size of its substitute teacher pool. Additional strategies ECCSD should consider implementing would include the following:**

- **Limiting the number of teachers granted professional leave on any one day;**
- **Proposing an increased rate of compensation for substitutes; and**
- **Modifying the schedule of the substitute clerk to provide evening hours to call for substitute placement.**

R3.9   **If ECCSD would reduce the amount of sick leave taken, it would reduce additional administrative time, enhance the quality of education by eliminating interruptions in the flow of teachers' curriculum and would reduce the overall substitute costs. Reducing sick leave taken by three days would bring the District in line with the average taken by 12 month government workers of 4.7 days as reported by the Bureau of Labor Statistics.**

District's 1999 Economy and Efficiency Plan Response

The shortage of substitutes for teachers is universal. For the 1999-2000 school year, the District has retained 12 contracted substitutes for building coverage. The intent is to reduce the number of coverage units paid to teachers. At $75.00, $80.00 and $85.00, our daily rates are competitive with our neighboring schools districts of Euclid, Cleveland Heights and Shaker Heights. The Cleveland Municipal Schools pay the premium daily rate exceeding $110.00 per day.

In an attempt to encourage teachers to come to work and save their sick leave, the District negotiated a severance package that increased the number of days a teacher may accumulate to a maximum of 295 days by the expiration of the contract.

Implementation Status

From August 1, 2002 through April 18, 2003, ECCSD certificated staff used 3,228.3 sick days (7.6 days per FTE), 407.8 personal days (1.0 day per FTE), and 80.5 professional leave days (0.2 day per FTE). During FY 2002-03, the District spent over $1.2 million in substitute costs to cover these absences, which represents a 294 percent increase from FY 1997-98. In October 2002, the Board increased the daily substitute rate to $100 per day, appointed 80 substitute teachers, modified the schedule of the substitute clerk, and developed an incentive in the ECEA contract which encourages teachers to conserve sick leave.

Implementation Assessment

ECCSD has developed strategies to increase the size of its substitute pool. Appointing additional substitutes, increasing their pay, allowing the substitute clerk to contact substitutes during the evening hours, and developing additional sick leave incentives has allowed ECCSD to be more effective in finding and placing substitute teachers. However, by not placing a limit on the number of teachers allowed to take professional leave on one day, or limiting the number of professional leave days that teachers are permitted to use during the school year, ECCSD may incur substantial substitute teaching costs.

The District's average sick leave usage per certificated employee of 7.6 days is slightly higher than the State employee average of 7.1 days and the Ohio Education Association average of 6.9 days. Although ECCSD renegotiated the severance package in an effort to reduce substitute costs, the District's substitute costs have increased 294 percent since FY 1997-98. Part of this increase can be attributed to the increase in the daily substitute rate.

Conclusion

*ECCSD has **partially implemented** this recommendation.* However, ECCSD still needs to work on limiting the number of teachers granted professional leave in one day and the number of professional leave days allowed during the school year. The HR director should seek to renegotiate this contract provision during the next round of contract talks. By renegotiating this provision, ECCSD should be able to reduce substitute teacher expenditures. ECCSD should also develop strategies to improve teacher attendance, which will lead to reduced substitute costs. For more information, see **R3.10**.

Financial Implication: ECCSD would realize a potential cost savings of approximately $42,000 annually in substitute costs if each certificated staff member used one less leave day per year. The savings increase to approximately $85,000 for a reduction of two leave days per certificated employee, and to $127,000 for a reduction of three leave days.

Classified Substitutes

R3.10 **The District must continue to monitor and manage the use of sick leave of classified employees. If ECCSD reduced the amount of sick leave taken, it would reduce additional administrative time, enhance the quality of education by eliminating interruptions in the flow of work, and reduce the overall substitute costs incurred.**

District's 1999 Economy and Efficiency Plan Response

The Board received a recommendation to increase the severance package for classified employees with their early notice of retirement. This is also intended to provide an incentive to save sick leave that is in line with certificated severance package.

Implementation Status

ECCSD has not significantly reduced the amount of sick time taken by classified employees. Classified employees averaged 13.5 sick days from July 1, 2001 through June 30, 2002. As a result, ECCSD classified employees have only decreased sick leave usage by 1.5 percent when compared to sick leave by 8 days, sick leave use would have decreased by 58.4 percent.

Implementation Assessment

Although the ECCSD and Ohio Association of Public Service Employees (OAPSE) contract requires classified employees to sign a sick leave affidavit, employees are not required to submit a physician's statement after using more than three consecutive sick days, which can lead to sick leave abuse. The District's failure to reduce classified sick leave usage may result in the need to hire additional substitutes, thereby increasing its

financial expenditures. In addition, employee sick leave averages are not shared with ECCSD upper management or the Board. According to Business and Legal Reports, negative effects of absenteeism include:

- Missed deadlines as a result of time lost;

- Resentment and low morale among co-workers who have to step in to make up work for missing employees;

- Increased use of overtime on the part of co-workers who have to step in to make up work for missing employees;

- A drop in the quality of customer relations;

- General deterioration toward good attendance; and

- Production standards for quantity and/or quality not being met.

The American Society for Public Administration (ASPA) recommends that organizations encourage employees to use leave programs properly by using cash incentives or other benefits to address the negative impacts of absenteeism. Columbus City Schools negotiated a plan to curb sick leave abuse among teachers. The policy provides for a conference between the teacher and supervisor if sick leave abuse is suspected by the principal or supervisor. The teacher is represented by the senior faculty representative at the building or an association designee. The superintendent may require written certification from the teacher's physician to justify an absence when there is a pattern of abuse, such as when a teacher has been absent for more than 10 days during the same school year. Further, a written certification may be required when a teacher is on continued absence and the superintendent has reasonable grounds to question the continued absence once every 30 days. In addition, Euclid City Schools has a policy stating the abuse of sick leave could result in dismissal. Policies which stress the importance of limiting sick leave help to reduce the amount of leave time taken by employees.

Conclusion

*ECCSD has **not implemented** this recommendation.* The HR director should work with the collective bargaining unit to establish additional sick leave measures, such as requiring a physician's statement. ECCSD could also make attendance a category on the performance evaluation. Additionally, the HR director should periodically review classified sick leave averages with ECCSD's Board and OAPSE union officials to make them aware of any emerging problems.

The HR director should also communicate to classified employees ECCSD's sick leave policy and the importance of reducing sick leave. The policy should include a provision that states sick leave abuse can result in dismissal. Additionally, the policy could include sick leave incentives similar to those outlined in the *ASPA Times* article "Sick Leave Abuse: A Chronic Workplace Ill?", which include the following:

- Converting sick leave to insurance at retirement;
- Converting sick leave to disability insurance; and
- Converting sick leave to wellness expenses.

By keeping employees informed of work procedures, policies, and other changes, they will better understand the importance of reducing sick time and can feel a part of the process. Emphasizing the use of sick leave incentives can reduce the amount of sick leave taken by staff, and can also reduce personnel costs.

R3.11 ECCSD should initiate efforts to define requirements to select and implement an automated substitute calling system that will meet the District's needs. An automated substitute system will improve ECCSD's operations in the following areas:

- **Extent of Automation: There is functionality that a substitute placement system offers that is not available with a manual substitute placement operation. For example, such a system can record instructions from the absent teacher that are automatically played for the substitute who accepts the position.**

- **Availability of Data: An automated substitute placement system will provide management with reports concerning substitute placement rates, absenteeism and other useful information. Furthermore, the system can generate reports to respond to unemployment compensation claims by substitute personnel.**

- **Future Improvements: For an additional investment, such a system can be interfaced with payroll to reduce manual payroll processing and can be expanded to accommodate non-teaching substitute placement such as substitute school clerks.**

- **Site-based Management: An automated substitute system will call substitutes based on a prioritized roster established by each school.**

Several additional benefits of a computerized substitute system may include an efficient method of contacting qualified substitutes that will reduce the time spent by District personnel in obtaining substitutes; an overall reduction in employee sick

time; and a convenient reporting system that will improve management's access to substitute data.

District's 1999 Economy and Efficiency Plan Response

The District calls about 40 substitutes daily. This does not warrant an automated calling system. We will continue to evaluate the automated substitute calling system.

Implementation Status

ECCSD does not have an automated substitute calling system; rather an office/clerical employee within the HR department retrieves call-offs and contacts substitute teachers. In order to retrieve absences and call substitutes prior to the start of the school day, the substitute clerk starts her day early and leaves early. The clerk also calls and places substitutes from home in the evening, for which she earns one hour of compensatory time each week. In addition to calling and placing substitutes, the clerk also maintains all of the paperwork and files related to substitute teachers. The clerk spends approximately three to four hours per day retrieving messages from absent teachers, calling substitutes, notifying buildings of absences and substitutes, and preparing written documentation.

Implementation Assessment

The HR director indicated ECCSD did not purchase an automated system because the District felt a staff person would be needed to oversee the operation of the system. The HR director also stated that the cost could not be justified the number of substitutes called each day, an automated system was too impersonal, and the system would not allow direct contact. Despite these reservations an automated substitute calling system offers several benefits, including the following:

- Eliminating the labor intensive task of calling substitutes manually;

- Linking teachers to preferred substitutes or substitute groups;

- Allowing staff members who do not need substitutes to use a separate code;

- Establishing district-specific calling times;

- Allowing individual substitutes to choose their own calling times; and

- Going through extensive searches to find substitutes even if the telephone is busy or reaches an answering machine.

Implementing an automated substitute calling system will enable ECCSD to allow the substitute clerk to be given additional responsibilities and will increase the efficiency of the HR Department. In addition, by purchasing an automated substitute calling system, ECCSD will not have to provide compensatory time to the substitute clerk.

Conclusion

*ECCSD has **not implemented** this recommendation.* The District should purchase an automated substitute calling system. The calling system selected should include the benefits described above.

Financial Implication: Purchasing an automated substitute calling system should cost ECCSD approximately $900 which includes software, training and a telephone device license fee. In addition, a yearly $300 support and maintenance fee will be charged.

Benefits Administration

R3.12 Because the District currently offers five different medical plans, it should discontinue providing the costly Medical Mutual plan. In addition, ECCSD should review the other medical plans and determine if it is beneficial to the District and employees to continue providing these plans. If the District continues offering the other four plans, it should consider requiring all employees enrolled in any plan other than the Kaiser plan to contribute the difference between the two plans. Discontinuing the Medical Mutual plan and requiring all employees to contribute the difference between the plans selected and the Kaiser plan would reduce premium costs and the costs associated with administering the Medical Mutual plan.

District's 1999 Economy and Efficiency Plan Response

The Medical Mutual plan is not an HMO. The cost of the plan requires the highest employee contribution. The plan design also requires co-pays and deductibles. It provides employees with access to physicians not participating in an HMO. Additionally, with the merger of Aetna and PruCare, we expect to reduce the number of plans being offered. QualChoice has a minimum enrollment expectation and has threatened to drop the District should we fail to meet the enrollment threshold. Any change in medical plans requires negotiations with the two bargaining units.

Implementation Status

ECCSD contracts with Findley Davies to analyze existing health care plans, make recommendations regarding ways the District can control rate increases, and handle the request for proposals. The accepted responses to the 2002-03 request for proposal

process held anticipated increases to less than nine percent. Had ECCSD not addressed this issue, it predicted a 19 percent increase.

The District continues to offer the Medical Mutual plan. However, premiums for the Medical Mutual plan are comparable to the premiums of the other health plans ECCSD offers. Although the District does not require employee contributions for the Kaiser plan, it does require employee contributions equal to the difference between the Kaiser premium and the premium of the elected plan. Refer to **R3.14** for additional information on employee contributions. The most expensive plans, Aetna and PruCare were discontinued because of limited enrollment.

Implementation Assessment

Although ECCSD has attempted to reduce its medical premiums, the yearly premiums incurred by the District have increased from over $2.0 million in FY 1998-99 to approximately $3.1 million in FY 2002-03, an increase of 49 percent over the past four years. Currently, ECCSD has three medical plans: Kaiser, Medical Mutual, and QualChoice. Employees can select the single plan, two-person plan, or family plan. **Table 3-5** details ECCSD's FY 2002-03 hospitalization monthly premiums, employee premium share, and number of enrollees.

Table 3-5: Health Insurance Premiums for FY 2002-03

Entity	Provider(s)	Monthly Premium for Single	Full-time Employee Share	Monthly Premium for Employee plus One	Full-time Employee Share	Monthly Premium for Family	Full-time Employee Share	Number of Employees in Each Plan
East Cleveland CSD	Kaiser							
	Certificated	$200.79	$0.00	$401.59	$0.00	$602.38	$0.00	60 / 33 / 70
	Classified	$200.79	$0.00	$401.59	$0.00	$602.38	$0.00	45 / 40 / 52
	Medical Mutual							
	Certificated	$207.64	$20.68	$415.30	$41.36	$622.94	$62.03	59 / 42 / 39
	Classified	$219.94	$4.79	$439.90	$9.58	$659.84	$14.36	39 / 1 / 3
	QualChoice							
	Certificated	$200.79	$65.11	$401.59	$130.23	$602.38	$142.18	47 / 25 / 32
	Classified	$254.22	$13.36	$508.45	$26.72	$719.88	$29.37	12 / 8 / 11
SERB School District Average (2,500-9,999 students) [1]	N/A	$275.55	$16.17	N/A	N/A	$680.08	$50.96	N/A

Source: ECCSD HR director and 2001 SERB report
[1] The SERB average is from the 2001 *Report on the Cost of Health Insurance in Ohio's Public Sector* and has been adjusted for a 14 percent increase.

As shown in **Table 3-5**, each of the plans is competitively priced. However, the Board responsibility for the Qual Choice plan has a $50 premium difference between certified as classified employees. In addition, employees are not required to make employee contributions for the Kaiser Plan. By not requiring all employees to contribute to health

care costs, ECCSD must allocate additional funds to pay for employee health care.   For more information see **R3.14**.

Conclusion

*ECCSD has **partially implemented** this recommendation.* The HR director should work with the various health care providers to reduce premium costs for the District. The HR director should also work with union representatives to ensure health care premiums are the same for each plan and for all employees. In order to reduce premium costs, the District may want to consider changing some aspects of the benefits offered, such as requiring greater employee co-pays or setting higher deductibles. By taking these proactive measures, ECCSD should be able to reduce the expense of health care insurance.

R3.13   **Because the monthly premiums for the CoreSource dental plan are significantly higher than the monthly premium rates for the American Prepaid dental plan, the District should consider requiring all employees enrolled in the CoreSource plan to contribute the difference between the monthly premiums for the two plans. Implementing this recommendation would require future negotiations.**

District's 1999 Economy and Efficiency Plan Response

This item is subject to negotiations and will be considered when formulating future bargaining proposals.

Implementation Status

ECCSD does not require employee contributions for the American Dental plan, but does require contributions for the MetLife plan. MetLife replaced CoreSource as the Dental provider.

Implementation Assessment

The District continues to offer employees two dental plans, American Dental and MetLife. Certificated and classified employees are not required to pay any monthly share for the American Dental plan. ECCSD paid almost $19,000 to provide dental insurance to certificated and classified employees for the American Dental plan in FY 2002-03. Despite employee contributions, ECCSD paid nearly $320,000 for the MetLife Dental plan in FY 2002-03. When compared to the American Dental plan, ECCSD had to pay double the amount for MetLife single, two-person, and family coverage.

Conclusion

*ECCSD has **not implemented** this recommendation.* Due to rising health care costs, ECCSD should consider finding an alternative to the costly MetLife Dental plan. If ECCSD wants to provide an alternative to the MetLife plan, it should select a plan which has premiums similar to the American Dental plan. ECCSD should also work with the collective bargaining units to have employees pay $5.00 for single coverage, $7.50 for two-person coverage, and $10.00 for family coverage for the American Dental plan, which are the monthly amounts that employees must currently pay for the MetLife Dental plan. Requiring a monthly dental contribution will reduce ECCSD's monthly dental expenditures.

Financial Implication: If all employees enrolled in the MetLife Dental plan switched to the American Dental plan and were required to make monthly contributions, ECCSD would be responsible for approximately $108,000 in dental costs per year. This would save ECCSD approximately $229,000 in dental costs annually.

R3.14 If ECCSD changed employee contributions to be consistent for all employees enrolled in all medical plans, the overall insurance expenses would be reduced. Requiring employee contributions for all employees would assist the District in controlling benefit costs.

District's 1999 Economy and Efficiency Plan Response

This recommendation is subject to negotiations with the District's two unions. It suggests paying the difference between the lowest cost medical and dental plan and paying a percentage of the cost. The two bargaining units are not treated the same because of the wage and salary differences between the two bargaining units. An employee's ability to pay may already direct them to the lower cost Kaiser plan, which incidentally, has the highest enrollment of District employees

Implementation Status

According to ECCSD, this is a negotiable item and not in the best interest for the lower paid classified employee. ECCSD still does not require employees to make contributions to the Kaiser plan.

Implementation Assessment

Although ECCSD has changed its health care providers since the 1999 Performance Audit, the amount of employee contributions varies from plan to plan and is based on whether the employee is certificated or classified. However, employees who select the Kaiser Plan are not required to make any monthly contributions to offset health care

costs. According to the 2001 State Employment Relations Board (SERB) Cost of Health Insurance in Ohio's Public Sector report, school districts with a student population between 2,500 and 9,999 have an average employee contribution of 9.3 percent for a single plan and 9.9 percent for a family plan. Because it does not require employee contributions, ECCSD is responsible for covering greater portions of the increases in health care premiums which has negatively affected its financial situation.

Conclusion

*ECCSD has **not implemented** this recommendation.* Based on rising health care costs for government entities, there is a need for ECCSD to reduce its operating costs and increase the employee contribution for monthly premium costs for health insurance. ECCSD should seek a flat 10 percent employee contribution toward monthly health care premiums during the next contract negotiations. In addition to reducing operating costs, a flat contribution would equalize the variances which currently exist. As discussed in **R3.12**, ECCSD should seek to reduce its health care premiums by changing the variables within the plan which would lead to cost-savings. Additionally, if ECCSD decides to require the current level of employee contribution, it should consider only offering the least costly health care plan.

Financial Implication: ECCSD would realize a cost savings of approximately $85,000 annually if it required a flat 10 percent employee contribution. This is based on FY 2002-03 premiums and employee enrollment.

R3.15 ECCSD should consider establishing an employee plus one enrollment option in addition to single and family plan options. This enrollment type facilitates lower premiums for employees with only one dependent thus reducing family plan enrollments and may reduce the overall insurance expense to the District and to the employee. Before implementing this recommendation, the District should determine the number of employees eligible to enroll in the employee plus one option to calculate the financial benefit.

District's 1999 Economy and Efficiency Plan Response

Employee plus one enrollment options are products offered by the insurer subject to the insurer's underwriting guidelines. Further, any such proposal is subject to negotiations.

Implementation Status

A two person enrollment plan was offered to employees for FY 2002-03. It was achieved through the request for proposal (RFP), negotiations, and the District Health Care Committee.

Implementation Assessment

ECCSD offers a two-person enrollment plan for all available health care, vision and dental plans. By creating a two-person enrollment plan, ECCSD avoids additional expenditures for its family insurance plans.

Conclusion

*ECCSD has **fully implemented** this recommendation.* The employee plus one plans lower premiums, when compared to the family plans' premiums, and helped the District control health care costs. Additionally, the lower premiums enabled employees enrolled in the two person plan to contribute less to their health care than they would have if enrolled in the family plan, while maintaining the same level of benefits.

Workers' Compensation

R3.16 The District should continue to use the expertise available from the Bureau of Worker's Compensation's (BWC) Division of Safety and Hygiene to assist in meeting the specific training needs of its employees.

District's 1999 Economy and Efficiency Plan Response

The District will establish safety program targets to measure program training results.

Implementation Status

ECCSD employs a full-time safety coordinator whose responsibilities include completing building risk surveys and handling dangerous issues, such as mercury contamination. All employees are required to attend a yearly seminar on blood-borne pathogens, sponsored by the BWC Division of Safety and Hygiene. This has been established as a responsibility of the safety coordinator. Regular meetings are held to review District safety issues.

Implementation Assessment

ECCSD's safety coordinator is responsible for handling any dangerous safety issues that exist within the District. The safety coordinator completes reports, follows-up on safety issues within the District, and provides safety-related training to employees. The safety coordinator indicated that although classified employees have had yearly training, many certificated employees have not completed the training. As a result, certificated employees may not be aware of possible safety related issues which exist at ECCSD.

Conclusion

ECCSD has **fully implemented** this recommendation. However, the safety coordinator should work with the HR director and union leadership to ensure that all employees are attending safety-related training.

R3.17 **The District should assign and implement a modified duty program, which allows injured employees to return to work to perform less strenuous tasks rather than remaining on off-site disability leave. It would benefit ECCSD to establish a District-wide modified duty placement mechanism to accommodate those employees whose departments cannot comply with the employee's work restrictions. Additionally, the District should make attendant physicians fully aware of the methods and benefits of a return to work program as physicians are often hesitant to release employees back to work. ECCSD should create a modified duty form letter which requires physicians to be more specific regarding work restrictions and provide those restrictions to employee supervisors.**

District's 1999 Economy and Efficiency Plan Response

The District contracts with Gates McDonald to manage all work related injuries. Gates McDonald approves emergency room care, authorizes physician visits, reviews treatment plans, approves recommended therapies, and monitors patient compliance and their ability to return to work. The District has provided alternative or modified assignments for the employee to return to work.

Implementation Status

Gates McDonald is no longer involved with worker's compensation, but manages the ECCSD's unemployment by representing the District during appeals and sending individuals COBRA notices. University Comp Care (UCC) is a managed care organization which manages the medical treatment of ECCSD employees who are injured on the job. The BWC requires entities to select a managed care organization for this purpose. ECCSD does not pay UCC for this service. UCC receives a pre-determined dollar amount from BWC to treat an injury and keeps any funds which remain after the injury is treated.

Integrated Consulting Services is on retainer to represent ECCSD during BWC hearings on claims and to handle the legal aspects of the District's workers' compensation program. The HR director stated that having legal representation is important because an injured worker's lawyer can file with BWC for reconsideration every 18 months.

According to the HR director, the District works with union representatives to bring injured employees back to work if they are able to perform light duties. However, ECCSD does not have a written return-to-work policy.

Implementation Assessment

Without a written return to work policy, ECCSD's financial liability for injured workers is increased. In addition, management may not be able to communicate their expectations to staff about return-to-work guidelines. In its survey of best practices on managing employee health and productivity, the Total Health and Productivity Company sited an active return-to-work modified duty program and medical case management as effective methods to manage workers compensation programs and reduce premium costs. The Total Health and Productivity Company advocates that companies create disability management policies and use them as guidelines for both occupational and non-occupational disabilities. Managed care includes reviewing the medical care employees receive in relation to their injury to ensure that it will result in progressive improvement, leading to the employee's ability to return to work as timely as possible. Return-to-work modified duty programs include practices that place injured, on-duty employees in jobs with modified duties, when approved by their physicians.

Conclusion

*ECCSD has **not implemented** this recommendation.* The District should develop a return-to-work program by creating a policy that outlines key guidelines. In addition, maintaining effective communication with employees and medical providers is critical to the success of a return-to-work program. Effective communication includes ensuring that all stakeholders are aware of the program and its procedures, and the program is being considered as an option whenever possible. ECCSD should also maintain data on the use of the return-to-work program to manage and track its effectiveness, including the following:

- Type of injury sustained;
- Date that the employee entered modified duty;
- Expiration date of modified duty;
- Date the employee returned to regular duty; and
- Extension requests granted.

If employees are not put on modified duty, a notation should be made as to why they are not eligible for the program. Effective communication and management of the program will assist ECCSD in bringing back workers recovering from disabilities and reducing costs.

Contractual Issues

R3.18 **Because classified employees averaged 13.7 sick days per employee, the District should consider implementing a policy similar to the policy in the East Cleveland Education Association (ECEA) contract which stipulates the abuse of sick leave can be considered just cause for dismissal from service for all employees.**

District's 1999 Economy and Efficiency Plan Response

The District is able to apply progressive discipline up to, and including, dismissal of any employee for abuse of sick leave.

Implementation Status and Assessment

The OAPSE contract still does not contain a provision about sick leave abuse. The American Society for Public Administration (ASPA) states in order to confidently discipline employees with attendance problems, organizations should have a clearly written policy that specifies its standards and employee requirements. Furthermore, the policy should specify that discipline, including termination, may result from sick leave abuse. Refer to **R3.9** and **R3.10** for additional information regarding sick leave usage.

Conclusion

*ECCSD has **not implemented** this recommendation.* During the next contract negotiations with the OAPSE, ECCSD should seek to include a provision about sick leave abuse in the agreement. Placing this language in the contract could assist ECCSD in the enforcement of the policy, including possible disciplinary actions arising from employee abuse of sick leave.

R3.19 **ECCSD should require a physician's statement for all employees who take more than three consecutive sick days. Requiring a physician's statement would enable the District to more effectively monitor and manage sick leave abuse.**

District's 1999 Economy and Efficiency Plan Response

Requiring a physician's statement after three consecutive days of absence will increase the District's utilization and impact rates charged for health care benefits. The District requires a physician's statement for extended absences and the District has the right to request a second opinion if necessary. Additionally, FMLA compliance is impacted by this recommendation.

Implementation Status and Assessment

ECCSD only requests a physician's statement when sick leave abuse is suspected or to certify that an employee is able to return to work. Employees have to sign an affidavit of sick leave when they return to work. According to the HR director, employees are aware the District may request a physician's statement. However, neither the certificated nor the classified negotiated agreement contains a provision which details the District's policy. Refer to **R3.9** and **R3.10** for additional information regarding sick leave usage.

Conclusion

*ECCSD has **not implemented** this recommendation.* The HR director should work with bargaining unit officials to develop a policy that would require physician's statements to be presented after an employee is absent for more than three consecutive sick days.

R3.20 **In order to more accurately identify staffing needs for the following school year, ECCSD should establish a policy that requires employees to notify the District by March 1st of their intention to retire the following school year. One option the District could consider would be to reduce the amount of severance pay if the employee does not notify the District by the specified date.**

District's 1999 Economy and Efficiency Plan Response

The District has negotiated a retirement incentive that is based on the employees' accumulated sick leave. With a March 31st notice of their intent to retire, a certificated employee will receive 50 percent of their accumulated sick leave. This may also encourage employees to accumulate sick leave and improve attendance.

Implementation Status

ECCSD does not have a policy which requires ECEA employees to notify the District by March 1st of their intention to retire for the following school year. However, certificated employees who announce their retirement on, or before, March 31, receive payment for 50 percent of accumulated unused sick leave. For retirements announced after March 31, employees receive only 25 percent of their accumulated unused sick leave. OAPSE employees must give 90 days notice of their retirement in order to receive a severance payment equal to 50 percent of accumulated unused sick leave. Employees who do not meet the requirement receive a severance payment equal to 25 percent of accumulated unused sick leave.

Implementation Assessment

Encouraging employees to provide ECCSD with advance notice of their intent to retire enables the District to better assess staffing needs for the following school year. Furthermore, it gives the District more time to hire talented and qualified replacements.

Conclusion

*ECCSD has **partially implemented** this recommendation.* The District does not require employees to notify the District about retirements by March 1, but it does penalize employees if notification has not been received by March 31 for certificated employees and 90 days in advance for classified employees.

R3.21 To be more in line with the peer districts and to lessen the financial impact to the District, ECCSD should consider re-negotiating the severance payout policy. One option ECCSD should consider is ORC §124.39 which provides payout of 25 percent of accrued but unused sick leave credit, upon retirement, up to 120 sick days (30 day payout), for persons with 10 or more years of service. A second option the District may consider would be to establish a maximum sick leave accrual of 240 days and cap the payout at 42 days (25 percent of the first 120 days and 10 percent of the remaining days)

District's 1999 Economy and Efficiency Plan Response

The severance package has been renegotiated.

Implementation Status

In an effort to encourage employees to provide ECCSD with advance notice of their retirement (**R3.20**), the District increased the maximum accumulated sick leave days in the previous negotiated agreements and again in the current agreements. When the OAPSE agreement expires in June 2004, classified employees will be able to accumulate a maximum of 290 days of sick leave. When the ECEA agreement expires in April 2005, certificated employees will be able to accumulate a maximum of 320 days of sick leave. OAPSE employees who provide 90 days advance notice of their retirement receive a severance payment equal to 50 percent of their accumulated unused sick leave (145 days) and ECEA employees who submit their retirement by March 31 receive a severance payment equal to 50 percent of their accumulated unused sick leave (160 days). Employees who do not meet the deadline specified in their respective negotiated agreement only receive a severance payment equal to 25 percent of their accumulated unused sick leave. According to the HR director, the increase in severance payments is also to compensate employees for the discontinuation of a $25,000 retirement bonus (**R3.22**).

Implementation Assessment

The District's severance payment has increased since the 1999 Performance Audit and remains generous. However, ECCSD uses the severance payment in place of a retirement incentive. During the most recent contract negotiations, the District attempted to renegotiate the severance package by adding a provision which would require employees who receive severance pay to have at least 150 sick days and to cap the severance payment at $40,000 per employee. This provision was not implemented.

Conclusion

*ECCSD has **not implemented** this recommendation.* The HR director should continue to work with bargaining unit officials during the next round of contract negotiations to renegotiate the severance package.

R3.22 **Prior to the District implementing future retirement incentives, the personnel director and the treasurer need to communicate and work together to define the future staffing and financial requirements of the district. Because retirement incentives affect District finances as well as educational programs, the District should implement procedures to more accurately anticipate the overall impact of staff reductions. Also, the District should prepare detailed information summarizing the outcome of retirement incentives.**

District's 1999 Economy and Efficiency Plan Response

The treasurer and the personnel director worked together when the agreements were negotiated. As a result, the District was able to save through the retirement incentive.

Implementation Status and Assessment

ECCSD removed the $25,000 retirement incentive from its certificated agreement. However, the District increased its severance payment (**R3.21**) to compensate employees for discontinuing the retirement incentive. According to the HR director, eliminating the retirement incentive and increasing the severance package has saved the District money because some employees do not accumulate the maximum days of sick leave and therefore receive a smaller severance payment. AOS estimates of certificated retirement incentives and severance payments support the HR director's statement. Based on the certificated average annual salary, average annual sick leave usage, and retirement incentives and severance payments stated in the negotiated agreement, ECCSD paid approximately $31,000 to each certificated retiree in FY 2002-03. However, the District would have paid approximately $40,000 to each certificated retiree if the certificated negotiated agreement still contained the retirement incentive and severance payment from the 1999 Performance Audit.

Conclusion

ECCSD has **fully implemented** *this recommendation.* The HR director and treasurer should continue to communicate regarding the impact of future retirement incentives and severance payments on the District's financial condition.

R3.23 **The District should consider restricting teachers on sabbatical leave from receiving compensation.**

District's 1999 Economy and Efficiency Plan Response

In the last four academic years, sabbatical leave was given as follows: 96-97 (1), 97-98 (0), 98-99 (0) and 99-00 (1). This is a common contractual benefit for educators. It is designed to encourage experienced educators to continue their education and return to the District with the knowledge they have acquired. Only two teachers and seven administrators have doctorates. While higher levels of education are desired, there is a limit on the number of educators that may be on sabbatical in any one year.

Implementation Status and Assessment

The ECEA contract states no more than five teachers can be on sabbatical leave at one time. According to the HR director, no employees have been on sabbatical leave for the past two years. The drawback attributed to sabbatical leave is that an employee on sabbatical leave will only receive compensation upon returning to work. In addition, the amount of money an employee receives after reporting back to work is the difference between the regular rate of pay and the salary of a substitute. In reviewing the sabbatical leave policies of several districts located outside of Ohio it was found that compensation for teachers on sabbatical leave ranged from 50 percent to 75 percent of teachers actual salary.

Conclusion

ECCSD has **not implemented** *this recommendation.* However, best practices indicate teachers receive a reduced rate of compensation when taking sabbatical leave. Based upon this information, ECCSD should follow the sabbatical leave language contained in the contract and ensure that no more than five teachers are on sabbatical leave at any one time.

R3.24 **Because finding and placing substitutes is difficult, the District should consider negotiating earlier requirements for notification. For example, the teachers should notify the District by 6:30 am and classified personnel should notify the District by 7:00 am.**

District's 1999 Economy and Efficiency Plan Response

This item is subject to negotiation and will be considered in formulating future bargaining issues.

Implementation Status and Assessment

The OAPSE agreement requires classified employees to notify the District of any absence by 8:00 am and the ECEA agreement requires certificated employees to notify the District of any absence by 7:00 am. If ECCSD used an automated substitute calling system, the District could negotiate the earlier times of 6:30 a.m. for certificated employees and 7:00 a.m. for classified employees without having to alter the work day of the substitute clerk or provide her with additional compensatory time (**R3.11**).

Conclusion

*ECCSD has **not implemented** this recommendation.* Purchasing an automated substitute calling system (**R3.11**) should allow ECCSD to be more efficient in finding and placing substitutes

R3.25 **The District should consider extending the probationary period which would provide the District with additional time to assess the potential employee and enhance the ability of the Board to employ qualified, dedicated and hard-working personnel.**

District's 1999 Economy and Efficiency Plan Response

This item is subject to negotiation and will be considered in formulating future bargaining issues.

Implementation Status and Assessment

The OAPSE contract still has a probationary period of 90 days for new employees. This issue may be brought to the table during the next negotiation phase. The HR director feels that a 90-day period is sufficient time for a decision to be made about an employee. However, the HR director instructs supervisors to extend the probationary period an additional 30 days if they are unsure about the performance of a probationary employee. If ECCSD allows supervisors to extend the probationary period for certain employees, this policy should be in writing and clearly communicated to employees to reduce potential liability and grievances.

Conclusion

*ECCSD has **not implemented** this recommendation.* The HR director should work with District supervisors and union officials to create a policy regarding the extension of the probationary period that clearly defines the circumstances under which the probationary period can be extended and the manner in which the employee will be notified of any extension. A formal written policy ensures consistent employment practices and reduces the potential for grievances.

R3.26 In order to resolve grievances in a timely manner, the District should require all grievances to be filed within a reasonable amount of time. For example, the District could require a maximum of 5 to 10 days to file a grievance.

District's 1999 Economy and Efficiency Plan Response

Commendation 3.3 recognizes the value of District management meeting with union leadership to discuss issues. Meeting informally is the first step in resolving grievances. Requiring grievances to be filed sooner will increase the number of written grievances and impair the ability of both sides to resolve issues informally. The number of grievances in the District is not a problem. The arbitration of grievances has been an infrequent event.

Implementation Status and Assessment

Both the OAPSE and the ECEA agreement state that grievances must be filed within 20 days, not 5 to 10 as the recommendation states. According to the HR director, ECCSD did not implement this recommendation because having 10 days to file a grievance is not enough time to resolve the issue in a less formal manner. By having a 20 day period, both parties can meet and the issue is more likely to be resolved without a grievance being filed.

Conclusion

*ECCSD has **not implemented** this recommendation.* However, the intent of the recommendation was met through the District's informal dispute resolution efforts. If ECCSD has future problems with resolving grievances, it should look at reducing the number of days to file a grievance.

Employment Issues

R3.27   **In order to prepare for the loss of experienced, knowledgeable administrators, the District should create a leadership training program for employees interested in becoming administrators.**

District's 1999 Economy and Efficiency Plan Response

It has been a practice of this District to promote from within whenever possible. We have used our curriculum specialist position as an entry-level administrative position. The training and experience as curriculum specialists prepares the individual for advancement within administrative ranks. Several District administrators were former curriculum specialists. The District has instituted a Leadership Academy effective September 28, 1999.

Implementation Status and Assessment

Administrators new to ECCSD, or new to their position, are required to attend the annual Leadership Academy sponsored by the District. The goal of the Leadership Academy is to apprise all new administrators of their duties, as well as the mission of ECCSD, and to assist with the development of leadership skills. Meetings are held after the work day each month, nine times per year for approximately two hours. The assistant superintendent conducts the training, unless the information is specialized, in which case an outside entity conducts the training. ECCSD established the Leadership Academy to further staff development, create a positive culture, and provide guidance in the evaluation process.

Conclusion

*ECCSD has **fully implemented** this recommendation.* The Leadership Academy helps ensure new administrators are familiar with the District and their duties, and strengthens their leadership skills.

R3.28   **Job descriptions for all employees should be updated. An update of current job classifications will provide ECCSD with the foundation for establishing internal equity and external competitiveness with respect to the wide array of job positions. In addition to updating the job descriptions to adapt to changing times and environment, the HRD must be cognizant of the required compliance with Americans with Disabilities Act requirements.**

District's 1999 Economy and Efficiency Plan Response

The District is in the process of revising all job descriptions. The process includes a review and input from union leadership.

Implementation Status

ECCSD contracted with the Cuyahoga County Educational Service Center (ESC) to update the District's job descriptions. The administrative job descriptions were completed approximately one year ago. Classified job descriptions are currently being developed, but are subject to negotiation with OAPSE.

Implementation Assessment

ECCSD's updated administrative job descriptions have a consistent format and meet best practice criteria for job descriptions. All administrative job descriptions have a title, preferred qualifications, reporting structure, supervision, and performance responsibilities. As a result, ECCSD has created accurate and current job descriptions for its administrative positions. However, other job descriptions in the OAPSE and ECEA contract have not been updated. In addition, ECCSD does not have a policy which requires job descriptions to be reviewed annually. The lack of clear and updated job descriptions can result in uncertainty concerning job functions and allow for employees to perform duplicative responsibilities.

Conclusion

*ECCSD has **partially implemented** this recommendation.* The HR director should work with the ESC consultant to ensure that all job descriptions are updated during the next contract negotiations. The job descriptions should correspond to the format and style used for the administrative job descriptions and all job descriptions should contain Americans with Disabilities Act language. In addition, the HR director should develop a policy which specifies how frequently job descriptions will be updated. Having up-to-date job descriptions will lead to a greater understanding of job functions and responsibilities.

R3.29 The Human Resources Department should create a procedure to formally track all grievances filed at ECCSD. The monitoring can be used to identify problems with the responsiveness of the administrator/department at each step of the grievance process as well as identify other problems which may arise.

District's 1999 Economy and Efficiency Plan Response

The HRD has all grievances and their resolution on file. Grievances are not a problem in this District.

Implementation Status

ECCSD does not have a procedure that can be used to identify problems with the grievance process. When a grievance is filed, the District follows the procedure outlined in the respective negotiated agreement. The HR director maintains grievance information in a binder and is aware of the status of all grievances.

Implementation Assessment

Although the HR director maintains, and is aware of, grievances filed, ECCSD has not developed a procedure which can be used to identify grievance problem areas, or common themes. By not identifying or tracking issues associated with grievances, ECCSD cannot identify and resolve problems with grievances or recurring grievance issues. According to LNOCA, ECCSD could use the USPS system to track the status of grievances and any related issues.

Conclusion

*ECCSD has **not implemented** this recommendation.* The HR director should work with LNOCA officials to develop a method to monitor and track grievances. The results should be periodically analyzed to determine whether trends have emerged. For further information see **R3.2**.

R3.30 **The Human Resources Department should create a procedure to track and monitor all disciplinary actions.**

District's 1999 Economy and Efficiency Plan Response

All disciplinary actions are maintained in the individual's personnel file. A tracking of disciplinary actions will be developed.

Implementation Status

The HR director receives a copy of disciplinary action if the action involves a suspension or termination. The union contracts require written disciplinary actions to be filed in the employee's personnel folder.

Implementation Assessment

Despite the HR director receiving notification of suspensions or terminations, ECCSD does not have a procedure that can be used to identify common disciplinary problems. In addition, the HR director does not receive notification if an employee has received a verbal or written warning. As a result, the HR director may not be aware of initial disciplinary issues which employees have encountered. By not identifying or tracking issues associated with disciplinary actions, ECCSD cannot identify and resolve initial discipline problems or recurring disciplinary actions. According to LNOCA, ECCSD could use the USPS system to track the status of disciplinary actions and any issues associated with these actions.

Conclusion

*ECCSD has **not implemented** this recommendation.* The HR director should work with LNOCA officials to develop a method to monitor and track disciplinary actions. The results should be periodically analyzed to determine whether trends have emerged. For further information see **R3.2**.

R3.31 Although administrators and classified employees are evaluated annually, all teachers should also have annual evaluations. In addition, the evaluation form should not be included in negotiated contracts. This prevents the District from making any changes to evaluation instruments without going through the negotiation process.

District's 1999 Economy and Efficiency Plan Response

All teachers are observed each year. The District uses the Clinical Supervision Model. It requires a pre-conference with the teacher to review the evaluation criteria. This prevents the District from making any changes to evaluation instruments without going through the negotiation process.

Implementation Status and Assessment

According to the ECEA contract, employees on limited contracts are subject to an evaluation on an annual basis. Employees on a continuing contract will be evaluated no more than once every three years. The HR director clarified the evaluation process. Tenured teachers are observed each year. To receive an evaluation, tenured teachers must have two observations per year. Teachers who are on a continuing contract are observed each year, but are evaluated once every three years. However, if the evaluation for the continuing teachers raises questions, the teacher can then be put on a cycle for an annual evaluation to occur. Additionally, the evaluation instruments are still part of the certificated agreement.

Conclusion

*ECCSD has **not implemented** this recommendation.* The HR director should work with union leadership to remove the evaluation forms from the contracts and to ensure that all teachers are evaluated at least annually.

R3.32 **The District should provide a comprehensive training program to provide guidance and direction in the use of procedures to non-renew teachers for continuing deficiencies in job performance.**

District's 1999 Economy and Efficiency Plan Response

The evaluation process, as outlined in the ECEA agreement is the basis for teacher performance non-renewals. Administrators are provided with training and counsel as they prepare evaluations that may lead to a non-renewal. The evaluation process is designed to improve instruction.

Implementation Status and Assessment

Each year administrators receive an in-service training, approximately 1.5 hours in length, on the evaluation/observation process. The training is conducted by the HR director. Administrators receive additional training regarding job descriptions.

Conclusion

*ECCSD has **fully implemented** this recommendation.* Because training on evaluations and observations helps ensure consistency, it reduces the District's potential liability and grievances from teachers who are disciplined, or have their contracts non-renewed, as a result of poor performance.

R3.33 **ECCSD should implement an exit interview process.**

District's 1999 Economy and Efficiency Plan Response

Questions are routinely asked of staff members who fail to voluntarily identify their reason for leaving the District. To take a job closer to home, to receive higher pay, for a promotion within the profession, to change professions, relocation and for family reasons are among the responses given for leaving the District. The District will develop a formalized process to facilitate the exit interviewing process.

Implementation Status

ECCSD does not have a formal exit interview process. The HR director usually meets informally with departing staff members to determine where an employee has accepted a new position.

Implementation Assessment

Since the HR director only meets with departing employees, the information is not recorded nor analyzed to determine any trends. According to the Society for Human Resources Management (SHRM) exit interviews represent an opportunity to gain factual information about employment conditions within an organization. In addition, such interviews can provide objective feedback on the conditions and patterns of management behavior that may have contributed to an employee's decision to leave. Employees can be expected to provide answers on a form and the questions should focus on the following issues:

- Initial selection practices;
- The degree to which the job met the employee's expectations;
- Benefits;
- Training;
- Advancement opportunities;
- Supervision;
- Organizational culture;
- Pay; and
- Other positive and negative features of the organization.

The information gained during the exit interview can be used to identify areas of concern within an organization and can help to reduce any future legal liabilities that an organization may face.

Conclusion

*ECCSD has **not implemented** this recommendation.* The HR director should develop a formal exit interview policy, which defines the purposes of the exit interview. Additionally, the HR director should develop a form containing questions that will be asked during the exit interview process. After the exit interviews are completed the results should be kept and periodically analyzed to determine whether any common issues have emerged. Properly documenting exit interview questions will allow ECCSD to accurately determine, and possibly address, why employees are leaving the District.

R3.34 ECCSD should track and monitor reasons why employees leave the District.

District's 1999 Economy and Efficiency Plan Response

See Response 3.33

Implementation Status and Assessment

ECCSD does not have a formal exit interview process. The HR director stated he usually has an informal discussion with a departing employee.

Conclusion

*ECCSD has **not implemented** this recommendation.* See **R3.2** and **R3.33**

R3.35 ECCSD needs to be cognizant of State minimum requirements when scheduling future school calendars and ensure future calendars comply with the ORC. Additionally the District should ascertain why the committee negotiating the school calendar and the ECCSD did not identify the error and the District should establish procedures to make sure the error does not occur again.

District's 1999 Economy and Efficiency Plan Response

We have met with a consultant from the Ohio Department of Education to establish a methodology to review present and future school year calendars to be certain that the District is, and remains, compliant with ORC.

Implementation Status and Assessment

ECCSD created a calendar with 189 contract days, including five holidays, four teacher work days, two parent conference days, and 178 school days. The past (FY 1999-2000 through FY 2001-2002) and current (FY 2002-03 through FY 2004-2005) certificated negotiated agreements state a 189 day contract year, including 178 instructional days.

Conclusion

*ECCSD has **fully implemented** this recommendation.* The District is in compliance with ORC §3313.48 regarding the number of instructional days. As a result, ECCSD is not in jeopardy of losing a portion of its State foundation funding.

Facilities

Summary

East Cleveland City School District (ECCSD) has fully implemented eight (21 percent) of the 1999 Performance Audit recommendations. Implementation occurred in several areas relating to the Ohio Schools Facility Commission's (OSFC) Classroom Construction Assistance Program. Most involved developing standard methodologies for determining the District's facility needs based on projected enrollment and technology updates, which are part of the OSFC specifications for overall facility improvements.

The methodology for determining capacity is reviewed and approved by the ECCSD Board of Education (Board) and OSFC, and is updated annually when actual enrollment numbers are calculated. In addition, the District has been using an experienced, OSFC-approved consultant to project future enrollment (10 year) using standard methodology. Using a standard methodology for projecting enrollments enabled the District to effectively construct schools that will meet future District needs.

Partial implementation was achieved on 15 recommendations (38 percent). Some the partially implemented recommendations had the highest financial impact and focused on the Districts' long-term Capital Improvement Plan (CIP), evaluating custodial staffing levels, and researching ways to privatize services.

ECCSD developed a short-term CIP in conjunction with the Classroom Construction Assistance Program, which is expected to be completed in fiscal year (FY) 2006-07. However, ECCSD did not develop a long-term, comprehensive CIP for any of the District's capital needs. Long-term CIP's identify specific funding sources and expected dates of implementation that go beyond the Classroom Construction Assistance Program. Incomplete implementation of the long-range CIP may leave the District vulnerable to high future maintenance costs.

Although ECCSD is currently taking steps to reduce custodial staffing levels, this reduction is less than was recommended in the 1999 Performance Audit. In addition, the District has not evaluated the reduction of facilities and how it would affect custodial staffing levels after the construction is completed. If the District reduces custodial staff by ten at the end of the Classroom Construction Assistance Program, a cost savings of approximately $325,000 annually could be achieved. ECCSD is also researching the costs and benefits of privatizing janitorial services which could result in a total cost savings of approximately $1million per year.

ECCSD did not implement 16 (41 percent) of the 1999 Performance Audit recommendations, some of which involve monitoring overtime, implementing training on asbestos management, and establishing an effective employee evaluation process. Although, the Facility and Operations Department showed a decrease in overtime expenditures over the last three years, there were individual custodial employees who appeared to accrue excessive overtime. ECCSD did not implement a consistent asbestos training program for custodial or maintenance personnel. In addition, ECCSD did not adhere to the 1999 Performance Audit recommendation to either remove the head custodians from OAPSE or eliminate their function in evaluating all custodians to eliminate the potential for conflict of interest.

Overall, ECCSD has made improvements in capital planning with the help of the OSFC. However, most of the recommendations in the 1999 Performance Audit which focused on process and procedures were either not implemented or partially implemented. The Facility and Operations Department still does not have the necessary processes that will streamline facility operations and make them more accountable.

The following table summarizes the Performance Audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained in the analyses which follow.

Financial Implications Table

Recommendations		Estimated Cost Savings (Annual)	Total Costs
R4.18	Develop a custodial maintenance manual.		$60
R4.26	Eliminate of ten custodial staff (including salaries and benefits)	$325,000	
R4.39	Privatize janitorial services	$1,000,000	
Total		**$1, 325,000**	**$60**

Recommendations / Implementation Assessments

Maintenance Operations

R4.1   ECCSD should bring its Classroom Construction Assistance Program into full compliance with OSFC guidelines and all pertinent statutory requirements. The District must further ensure that it is fully knowledgeable of the many recent legal developments surrounding minority and female participation in contracts, and that it is in full legal compliance with all pertinent statutes and court decisions.

District's 1999 Economy and Efficiency Plan Response

The District is working closely with the OSFC and legal counsel to develop a Disadvantaged Business Enterprise (DBE) program that will satisfy legal requirements. The District has negotiated with OSFC to fund a project manager representative. The position has been advertised and the District is in the selection process. The District has committed to partnering sessions with the OSFC, architects and construction manager throughout the life of the project to work out any issues that may hinder the success of the project.

Implementation Status

The OSFC project representative to ECCSD states that there have been several changes made to the original construction plans. The changes reduced project costs, and also gave the District the opportunity to completely reconstruct some of its school buildings instead of just making improvements. According to OSFC, the project is in compliance with OSFC guidelines and statutory requirements.

ECCSD Board Resolution 234/98 outlines the involvement of minority/disadvantaged businesses during the construction project. The resolution states that seven percent of all contracts relating to this project are to be granted to minority/disadvantaged owned businesses. As each prime contract is let, the District's project manager and legal counsel are to verify compliance. According to the owner's representative, DBE contracts comprise 23 percent of the Heritage (Kirk) Middle School construction.

Implementation Assessment

ECCSD has established DBE and resident hiring goals and objectives as an ongoing process of the Classroom Construction Assistance Program. In addition, ECCSD has been working closely with the OSFC and construction managers to ensure that all OSFC guidelines and statutory requirements are being followed.

Conclusion

ECCSD *has **fully implemented** the 1999 Performance Audit recommendation* to set DBE goals and comply with OSFC guidelines.

R4.2   The District should develop and document a formalized Capital Improvement Plan (CIP). The CIP should include a capital project categorization and prioritization system that provides management with a breakdown between maintenance tasks and capital projects, ensures work is completed in a timely manner, and minimizes both safety hazards and facility deterioration. The CIP should include a capacity analysis, enrollment projections and a prioritization of projects on a District-wide basis.

District's 1999 Economy and Efficiency Plan Response

The District will establish a committee to review the capital needs of the District (see **R2.2**). The District will receive an Average Daily Membership (ADM) audit from the Ohio Department of Education (ODE) in the 1999-2000 school year. The audit will provide the foundation for the District to evaluate future capacity and resource requirements.

Implementation Status

ECCSD is using a project master plan developed by Lesko & Associates for the OSFC Classroom Construction Assistance Program as its long-term CIP. The plan is being used to guide the District in the planning process for the replacement or improvement of seven of its schools over a six-year period. The master plan includes the cost of renovations, projected enrollments, square footage requirements based on projected enrollments, timelines, and work required to be completed at each interval within the timeline. The plan is based upon initial prioritization of needs at each school.

Implementation Assessment

The District has not developed a comprehensive facilities capital plan that addresses the maintenance or capital needs of those facilities not receiving improvements or replacements, nor does the CIP address District facility needs beyond the Classroom Construction Assistance Program. This limits ECCSD's ability to identify potential future facilities expenditures.

A CIP is a list of identified and prioritized capital needs accompanied by cost estimates and timelines for completion. A CIP usually spans a five-year period and is updated annually. Although ECCSD has adopted the OSFC Classroom Construction Assistance

Program as its long-term CIP on those facilities that are under construction or going through improvements, it does not address the facilities not undergoing renovations.

The District's updated project master plan, recently approved by OSFC, includes a capacity analysis and is prioritized on a District-wide basis. However, ECCSD does not include those facilities that are not being improved or replaced through the Classroom Construction Assistance Program such as the auditorium, natatorium, football field and the administrative building. Furthermore, ECCSD's project master plan does not extend past the Classroom Construction Assistance Program, (FY 2006). Finally, ECCSD is not aggressive in seeking additional funding sources for capital improvements outside the Classroom Construction Assistance Program (see **F4.5**).

The Chicago Public Schools (CPS) was selected as a model school district for developing an effective CIP. According to CPS, a model CIP includes the following:

- An inventory and audit of existing facilities;
- Prioritized capital needs that include stabilizing existing structures that were not planned to be replaced; and
- Investigating alternative funding sources.

Development of CPS' CIP included an open and straightforward public decision-making process. Public communication of CIP plans included stakeholders in decisions about the availability of funds, project timelines, and costs. This process helped ensure that critical priorities were funded while building the public-private coalitions necessary to ensure the commitment of state and federal capital funding. CPS holds annual public hearings on the CIP.

In order to ensure that the CIP is as fair and efficient as possible, CPS publicizes and explains the following:

- Building assessments for each school facility;
- Demographic predictions for enrollment growth;
- Planned improvements and their costs;
- Estimated costs for each type of project;
- Projects that were eliminated or delayed; and
- District funding to support planned capital expenditures.

According to the Government Finance Officers Association (GFOA), a capital improvement plan is an essential element for managing a long-term debt program. Before undertaking a long-term debt program, governments must have a clear understanding of the types of projects they intend to finance and when the projects will be implemented. Development of a CIP is an essential first step in this process.

In addition to serving as a planning, financing, and management tool, a well-prepared CIP is viewed as a positive factor by credit rating agencies in evaluating the financial soundness of a jurisdiction. A CIP demonstrates a jurisdiction's commitment to systematically replacing or improving its capital infrastructure. It also provides evidence that a school district has evaluated its long-term financial resources, and has developed a plan to meet both operating and capital needs.

Conclusion

*The District has **not implemented** this recommendation.* ECCSD should develop a long-term CIP which encompasses the standard five-year time frame and is updated annually. Also, ECCSD should develop a comprehensive CIP for all improvement needs that identifies specific funding sources and the expected year of implementation. The plan should be the end-product of a process that invites input from the planning committee and District stakeholders.

The planning process should ensure clear communication and appropriate information is provided to the Treasurer's Office, and the CIP should be linked to the District's budgeting process. In order to prevent deterioration and depreciation of new and existing facilities, capital improvements must remain a priority within the District. The CIP should be used as a management tool to adequately forecast future needs. In addition, the District should appoint a planning commission, as a subcommittee of the BOE, to ensure the quality of the Districts' capital planning (see **R4.4** for further analysis on planning committees).

R4.3 **ECCSD should establish a process to conduct an ongoing facilities inventory and audit. The process should be part of the comprehensive facilities master plan. School-based personnel should be involved in an annual facility audit to ensure that their needs are identified and that they understand what issues are important from an architectural and engineering perspective. Detailed findings and results of the facility audit should be clearly documented and maintained in the District for reference and planning purposes. At a minimum, the facilities audit should include the following:**

- **A description of the building and its systems including the primary structure (e.g., foundations, columns and exterior walls, floors and roofs), secondary structure (e.g., ceilings, interior walls, windows, doors, and room measurements) and service systems such as cooling, heating, plumbing and electrical.**

- **Equipment/systems data such as type, fixed asset number, parts (including belts, motors and filters) and operating characteristics such as operating speed and electrical requirements.**

- **Annual walk-throughs of each building to assess the maintenance and structural problems existing in the facility.**

- **As assessment and rating of the condition of the building and its components, including repair history.**

- **An assessment of facility accessibility including American with Disabilities Act (ADA) regulations, environmental hazards and other aspects related to the health and safety of students and staff.**

District's 1999 Economy and Efficiency Plan Response

The District is in the process of revising its policy and procedures. The director of business will implement the recommendation by discussing a process with other staff.

Implementation Status

ECCSD contracts with the Industrial Appraisal Company to perform property inventories. The last property inventory was performed in FY 1999-00. According to the purchasing agent, the District is in the process of using Industrial Appraisal to perform another property inventory for FY 2003-04. The property inventory is detailed and organized by building, and includes costs to reproduce or replace items, as well as value estimates.

Implementation Assessment

Although ECCSD periodically contracts out for property inventories, the District does not perform annual in-house asset inventories on supplies or equipment, as recommended in the 1999 Performance Audit. Annual audits are important as a means to monitor facility and equipment use, and to determine misuse of materials, parts, and supplies.

However, each ECCSD facility has undergone an initial inventory and audit as part of the Classroom Construction Assistance Program. A consultant was contracted to establish a "facility maintenance manual" for each school after construction is completed, which will include the following:

- A description of the building and its systems including the primary and secondary structure and service systems.

- Equipment/systems data such as type, fixed asset number, parts, operating characteristics, manufacturers' recommended maintenance intervals, and warranty information.

- All maintenance needs and structural problems (as identified by OSFC) to determine priorities and financial resources needed for construction and rehabilitation.

- A repair history and work orders will be maintained within the Archibus Facility Maintenance (FM) System after completion of construction of each building, in addition to those facilities that are not undergoing new construction.

- Any environmental hazards and other aspects related to the health and safety of students and staff.

Only one maintenance manual has been developed (Chambers Elementary School) as of the date of this performance audit, and two more are currently being developed (Superior and Prospect Elementary Schools).

Although initial facility inventories and audits took place as part of the OSFC Classroom Construction Assistance Program, the inventories and audits still need to occur after the construction is completed on each facility. The Chambers Elementary School construction was completed in 2001 and a facility maintenance manual was developed. However, the Facility and Operations Department still has not performed facility inventories and audits of Chambers Elementary School, nor have inspections of any of the facilities taken place since 2001 (see **R4.15** for analysis on facility inspections). As a result, future facility needs are not being identified and building assets are not being monitored.

Conclusion

*The District **partially implemented** this recommendation.* ECCSD should implement annual facilities inventories and audits as part of the CIP process (see **R4.2** for further CIP discussion and **R2.35** in the **financial systems** section regarding fixed asset monitoring). A study of inventory controls in selected New York school districts determined that the likelihood of achieving of management's objectives and the effectiveness of any system is affected by limitations. These limitations are inherent to internal controls, such as errors in human judgment, collusion, management override, and cost, which should not exceed the expected benefits.

Therefore, District officials should take all necessary precautions to safeguard investments in inventory items and should implement an inventory control system that includes the following elements:

- **Insurable values:** Complete inventory identification and valuation may prevent the District from being over or under insured.

- **Control and Accountability**: Inventory control systems can be used to maintain information regarding the location, responsible party, and condition of public property.

- **Maintenance Scheduling:** By maintaining records of maintenance costs and frequency of necessary repairs, decisions relating to major overhauls or replacements can be made. By budgeting time and money for maintaining assets, the District may move from emergency maintenance to preventive maintenance.

- **Other Benefits:** The system serves as a basis for planning replacement schedules of equipment and budgeting for future expenditures, and compliance with Generally Accepted Accounting Principles (GAAP).

At a minimum, the inventory control system should be reviewed annually and its effectiveness evaluated. As part of that evaluation, periodic physical inventories should be conducted. If weaknesses are identified, the appropriate corrective actions should be taken. Inadequate internal oversight and accountability for supplies and equipment can lead to loss of District assets (see **R2.35**).

R4.4   ECCSD should reconvene the long-range planning commission.

District's 1999 Economy and Efficiency Plan Response

The District is committed to participating in the construction of state of the art facilities for its students and staff. The utilization of the $90 million project is directed by OFSC and is no longer subject to long-range planning. The District created the position of director of facilities operations to guide the educational process as the project progresses. Also, the District is hiring a facilities project representative to work with the architects and construction manager to move the project along (see **R4.1**). These two positions will also provide the Board with future facility planning for the District**.**

Implementation Status

ECCSD has not reconvened the planning commission which last met in 1997. The planning commission was not involved in the planning stages of the Classroom Construction Assistance Program.

Implementation Assessment

While ECCSD has used consultants and project managers to oversee the Classroom Construction Assistance Program, which is expected to be completed during 2006, the District has not made plans to establish a comprehensive CIP (see **R4.2** for further CIP analysis). ECCSD also has not reconvened its planning commission to oversee the current or future facilities needs of the District. In addition, the District did not effectively draw on community support or keep residents involved in the improvement process. Planning commissions allow citizens to objectively review district plans and recommend sound and efficient planning options to the governing body of a community. The input of a planning commission comprised of stakeholders could improve the District's ability to communicate to its residents the decision-making process and final outcomes.

Cleveland Heights/University Heights (CH/UH) School District has a facility planning committee that focuses on playground improvements at each school within the District. The CH/UH facility planning commission members comprise parents, residents, an architect, and an engineer. The commission also has employee representatives including: a principal, the maintenance supervisor, the operations supervisor, the business manager and one Board member.

CH/UH also hired an architectural firm to assess facility needs, and it inspected each building. The firm interviewed principals, custodians, teachers, students, and representatives of the PTA's in order to get stakeholder input. The architectural firm works with CH/UH to prioritize needs and determine available funding. This information is then included in a five-to-ten year plan, which the District reviews and periodically updates to adjust priorities as funds become available.

CH/UH found that this approach gives the residents input while ensuring that all buildings are adequately represented. The maintenance supervisor, superintendent and others work together to determine the priorities based on health/safety, program needs, and building efficiency.

Despite ECCSD's Classroom Construction Assistance Program, the District has not developed a long-range planning commission consisting of key District stakeholders to determine and guide ECCSD's capital priorities as identified in its Capital Improvement Plan (**R4.2**).

Conclusion

*ECCSD did **not implement** this recommendation.* The District should re-establish a long-range planning commission, as recommended in the 1999 Performance Audit, to include, but not be limited to, a parent, an architect, an engineer, a principal, the supervisor of

buildings and grounds, the director of facilities and operations, the treasurer and one Board member. The long-range planning commission should serve as stakeholder representatives and should work to keep planning proposals and decisions from becoming politicized, to help the District assess building and infrastructure needs. and to develop capital expenditure plans to meet improvement needs. Planning commissions must have three important qualities:

- Control of its agenda;
- Ability to exercise diligence; and
- Ability to ask the hard questions.

The agenda should cover the following:

- The criteria used to evaluate the competence and independence of the outside consultants, contractors and/or vendors;
- An annual review of the current year and the overall five or six year CIP; and
- Candid assessments of the CIPs.

The long-range planning commission should be informed about the financial and operational aspects of the District and, therefore, should receive sufficient and timely information. Long-range planning commission members must devote sufficient time to obtain an adequate understanding of District operations and funding mechanisms.

To be effective and independent, the long-range planning commission must be positioned between senior management and the Board. This organizational structure allows the long-range planning commission to question management's judgments about capital planning matters and to suggest improvements or changes, when needed. The long-range planning commission should establish a charter which defines its mission, duties, and responsibilities; plans its annual agenda; and documents its findings and conclusions. The development and implementation of the long-range planning commission will help ensure the integrity of ECCSD and the quality of the District's capital planning process.

R4.5 **ECCSD should be more aggressive in identifying available sources of funding for its facilities.**

District's 1999 Economy and Efficiency Plan Response

The District did make an inquiry to a staff member of the OSFC and was advised not to apply for funding because the District was getting the classroom facilities grant and did not have an emergency to fit the current parameters. The District is sensitive to its needs

for additional funding to maintain its facilities and will continue to be more aggressive in seeking funding sources through the Department of Research and Development.

Implementation Status

According to the District's purchasing agent, all department directors are responsible for seeking grants in their respective areas. The District had a grant writer, but has never replaced or reassigned these duties. The treasurer indicated that the District has not sought capital grants for facility needs since the OSFC-funded Classroom Construction Assistance Program began. As stated by the director of facilities and operations, the program manager is responsible for the development of the Districts' long-range maintenance plan and any grant funding associated with facilities. However, there is not a job description for the District's program manager, so the levels of responsibility including grant research and development have not been defined. The program manager indicated that he planned to implement this component in his job duties in the future.

Implementation Assessment

Although the District is receiving grants through the OSFC Classroom Construction Assistance Program, it appears there is confusion on the part of the District's administrative staff as to the responsibility for seeking grants. As a result, the District may be missing the opportunity for available grant monies from federal, State or local programs. The District has not sought out facility-related grants since the 1999 Performance Audit. The District went from a centralized grant center to a decentralized system, which has lead to challenges in organizational accountability and a decrease in revenues generated. The Euclid School District established a grant writing resource center at the administration building and received 24 major grants and 50 mini-grants through increased grant writing efforts.

Conclusion

*ECCSD has **not implemented** this recommendation*. The District should communicate to all administrative staff their roles in seeking grants. In addition, the District should research grants that are available to them on an annual basis to ensure that applications for these grants are submitted. The District should also assign grant management and oversight responsibilities to the purchasing agent, who already has responsibilities for all grant monies, to ensure that restrictive grant funds are being used for their intended purpose. In addition, the District should identify grants as an additional funding source after the completion of the OSFC construction program and as a part of the overall long-range facilities planning process.

R4.6   The District should develop a methodology for determining capacity that is approved by the Board of Education, and reviewed and updated annually.

R4.7   The Board of Education should adopt as policy a standard for projecting enrollment. The District should then use that methodology to develop 10-year enrollment projections that are approved by the Board of Education and updated annually.

R4.8   OSFC should review the District's Classroom Construction Assistance Program to ensure that the proposed construction appropriately addresses District needs. At a minimum, OSFC and its architects need to reconcile the apparent discrepancy between the projected enrollment and the additional capacity being planned through the Classroom Construction Assistance Program.

District's 1999 Economy and Efficiency Plan Response

As part of the current classroom facilities project, the District and OSFC developed a methodology for determining school building capacity. These school capacities will be reviewed on a periodic basis.

The District is receiving an ADM audit from the Ohio Department of Education. The audit will be used in the enrollment projection process. The District will develop a ten-year enrollment procedure that will be submitted to the Board and updated annually. Should the District subsequently have excess capacity at the elementary schools after the renovation project, a strategy will be developed to use that capacity in a manner that will best benefit the District.

Implementation Status

ECCSD hired DeJong & Associates in 1997 to evaluate enrollment projections for a ten-year period, and to annually update the projections. The last enrollment projection update was February 2003. Enrollment projections were developed by analyzing the following data:

- Live birth data that includes rates for the cities of East Cleveland and Cleveland Heights for the last 15 years;

- Historical enrollment; and

- Housing information that includes past, current and future population in East Cleveland and a portion of Cleveland Heights. This also includes new housing units being built by Cuyahoga Metropolitan Housing Authority (CMHA).

Current analysis in this report shows enrollments declining from at 4,936 students in 2003 to 3,703 students in 2013, a decrease of 25 percent. The 1999 Performance Audit reported that the District was using several methodologies for determining projected enrollment. The District was also facing significant surplus space based on the projected enrollment. **Table 4-1** shows the actual enrollment during the 1999 Performance Audit and what the projected enrollment will be after the Classroom Construction Assistance Program is completed.

Table 4-1: Enrollment Comparison

School Type	1998-99 Enrollment	2006 -07 Projected Enrollment
Elementary	2,811	2,299
Middle	1,260	1,030
High	1,088	994
Total	**5,159**	**4,323**

Source: DeJohn & Associates, Inc. February 2003 Enrollment Projection Report, Ohio Schools Facilities Commission

As illustrated in **Table 4-1**, the student enrollment will decline over the next four years by 836 students, or by a total overall reduction of 16.2 percent. The majority of the proposed reductions will occur at the elementary and the middle school level with a decrease of 18.2 percent by the 2006-07 School Year. **Table 4-2** shows the existing square feet per school compared to the total square feet at the end of the Classroom Construction Assistance Program.

Table 4-2: Square Footage Comparison by School

Building	Existing Sq. Footage	2006-07 Sq. Footage
Caledonia ES	54,845	54,079
Chambers ES	55,249	74,311
Mayfair ES	64,000	54,273
Prospect ES	62,000	68,461
Rozelle ES	45,760	0 [1]
Superior ES	56,000	68,322
Shaw HS	344,861	284,828
Heritage (fka Kirk) MS	134,802	131,880
TOTAL (without Modules)	**817,517**	**736,154**
Warehouse	4,810	4,810
House	7,130	7,130
Administration	35,139	17,075
Total	**864,596**	**765,169**

Source: DeJong & Associates, Inc February 2003 Enrollment Projection Report, Ohio Schools Facilities Commission
[1] Rozelle Elementary School is going to be demolished and will not be replaced.

According to OSFC, the administrator for the Classroom Construction Assistance Program, the District will be reducing its total area by almost 100,000 square feet after the construction is completed in FY 2006-07. OSFC further states that the determination of the size of the schools was based on the projected enrollment and a standard measurement of the following:

- 115 sq ft per elementary school student;
- 140 sq ft per middle school student;
- 167 sq ft per high school student; and
- 100 sq ft per career technical student.

OSFC took into consideration the District's projected enrollment when developing the standard measurement requirements for each school.

Implementation Assessment

A methodology for determining capacity is reviewed and approved by the Board of Education and OSFC, and is updated annually when actual enrollment numbers are determined.   In addition, the District has been using an OSFC-approved consultant to

project future enrollment using a standard methodology. Using a standard methodology for projecting enrollments enabled the District to effectively construct schools that will meet future District needs.

Conclusion

*ECCSD has **fully implemented** the 1999 recommendations* to standardize the methodology for preparing ten-year enrollment projections. The OSFC has reviewed these projections in determining maximum allowable capacity under the Classroom Construction Assistance Program.

R4.9   The District should move the handicapped students at Nela Pre-school from the church to one of the District's elementary schools.

District's 1999 Economy and Efficiency Plan Response

See **R4.8**.

Implementation Status and Assessment

During the course of the 1999 Performance Audit, it was discovered that ECCSD was sending some of its special needs pre-school students to a local church. Since 1999, all handicapped pre-school students have been moved to District schools, with the exception of 17 special needs students, who are currently being sent to the East Cleveland Early Childhood Center operated by Cuyahoga County. According to the ECCSD Department of Special Education, some of these special needs students have been moved into the District schools. ECCSD does not pay for these special needs students to attend the County's Early Childhood Center.

Conclusion

*ECCSD has **fully implemented** the 1999 recommendation* to move the handicapped pre-school students at Nela Pre-school from the church to the District's elementary schools.

R4.10 ECCSD should continue to document the condition of asbestos in its facilities. The District should consider hiring an outside contractor to begin asbestos removal and should file legal claims through the Asbestos School Litigation Fund to be reimbursed for the cost of the asbestos removal.

R4.11 The District should develop an asbestos management plan that employees are required to follow if they come into contact with asbestos material.

R4.12 ECCSD should schedule annual asbestos health and safety training for the custodial and maintenance staff.

District's 1999 Economy and Efficiency Plan Response

The District adhered to the Asbestos Hazard and Emergency Response Act (AHERA) asbestos inspection requirements by re-inspecting every six months all areas where known or suspected asbestos may be. Every three years a complete review is done. All inspections are recorded and documented. This program will be continued. The current inspector is a District employee who is licensed and certified to perform the inspection. The $90 million classroom facilities grant has provided funds to abate the asbestos and as of this date this has been done in three buildings. The safety coordinator will contact the Asbestos School Litigation Fund.

An asbestos management plan that employees are required to follow if they come in contact with asbestos material will be developed, and the safety coordinator will develop and provide an asbestos health and safety program for custodians.

Implementation Status

The District's safety coordinator meets all EPA certification requirements to perform building inspections. The ECCSD Facilities and Operations Department performs Class IV asbestos operations. Class IV asbestos operation, in accordance with the U.S. Department of Labor, is defined as maintenance and custodial construction activities during which employees contact, but do not disturb asbestos containing material and activities to clean-up dust, waste and debris resulting from Class I, II and III activities.

Management plans were submitted on May 9, 1989, as mandated by the provisions of AHERA and are updated upon completion of each inspection. A part of the management plan includes the location and type of asbestos material in all District facilities. Inspections are performed every three years, and the last was performed by the safety coordinator in January 2003. Funds for the OSFC Classroom Construction Assistance Program include asbestos remediation.

The Facilities and Operations Department does not have a comprehensive asbestos safety plan. Although ECCSD has several pamphlets and brochures that are recommended reading on asbestos identification and handling, there are no policies and procedures specific to the District that provide custodians, maintenance personnel and school administrators a detailed description of the following:

- Chemicals and processes that should be used on asbestos floor tiles;
- Proper communications; and

- Activities that could release asbestos dust into the air.

Training is performed by a private company, Professional Service Industry (PSI), for all maintenance, HVAC and plumbing employees once per year. Inspections are performed every six months. ECCSD's last recorded inspection was in January 2003. The last training for custodial and maintenance employees was in 1999, and included all custodial and maintenance employees, in addition to some school principals.

Implementation Assessment

According to Heffler, Radetich & Saitta L.L.P., administrators for the Asbestos School Litigation Fund, the fund still exists, but is not accepting any additional claims. Therefore, the District is not eligible to file claims as recommended in the 1999 Performance Audit.

Provisions of AHERA require all public and private elementary and secondary schools to conduct inspections for asbestos-containing building materials, develop management plans, and implement response actions in a timely fashion. Specifically, each local education agency (or LEA, which means any public or private not-for-profit K-12 school) must do the following:

- Designate and train a person to oversee asbestos-related activities in the LEA (designated person).

- Inspect every school building for both friable and non-friable asbestos-containing building materials;

- Prepare a management plan for managing asbestos and controlling exposure in each school and submit that plan to the appropriate state agency. The plan should include a time frame for implementation of recommended actions;

- Use only properly accredited persons to conduct inspections and develop the asbestos management plan. Accredited personnel must also conduct the required triennial re-inspections;

- Provide custodial staff and short-term workers with information about the location of any asbestos-containing materials. Post warning labels as required;

- Provide custodial and maintenance staff with two hours of awareness training and an additional 14 hours of training for employees whose duties may cause them to disturb asbestos in accordance with United States Environmental Protection Agency (USEPA) amended Worker Protection Rule. This additional training must

include proper work practices and the use of protective equipment when disturbing asbestos-containing materials. School custodial and maintenance staff must now have annual refresher training in asbestos safety;

- Utilize properly accredited individuals to design and conduct asbestos abatement actions that are necessary and appropriate to protect health and the environment. These actions or methods must be documented in the management plan;

- Keep records of all asbestos-related activities in the plan and make them available for public review; and

- Inform employees and building occupants or their legal guardians annually regarding the management plan availability and related ongoing activities pertaining to implementation.

The District adheres to all AHERA provisions except for providing custodial and maintenance staff with two hours of awareness training and an additional 14 hours of training for employees whose duties may cause them to disturb asbestos in accordance with the USEPA-amended Worker Protection Rule.

Conclusion

*The District has **partially implemented** these recommendations.* The safety coordinator should develop an annual safety training program for employees performing Class IV operations that is consistent with EPA requirements for training of local education agency maintenance and custodial staff as set forth in the Code of Federal Regulations 40 (CFR) 763.92 (a) (1).

According to 29 CFR 1926.1101 (k) (9) (i) "The employer shall, at no cost to the employee, institute a training program for all employees who are likely to be exposed in excess of a permissible exposure limit and for all employees who perform Class I through Class IV asbestos operations, and shall ensure their participation in the program."

According to 29 CFR 1926.1101 (k) (9) (vi) "Training for employees performing class IV operations shall be consistent with EPA requirements for training of local education agency maintenance and custodial staff as set forth at 40 CFR 763.92 (a) (1). Such a course shall include available information concerning the locations of thermal system insulation and surfacing, asbestos containing flooring material, or flooring material where the absence of asbestos has not yet been certified; and instruction in recognition of damage, deterioration and de-lamination of ACM. Such course shall take at least two hours."

ECCSD should ensure that its training programs meet all applicable Federal requirements, particularly by annually providing custodial and maintenance staff with two hours of awareness training and an additional 14 hours of training for employees whose duties may cause them to disturb asbestos, as defined by the Worker Protection Rule.

Custodial Operations

R4.13 The District should reconsider its current practice of requiring the head custodian to conduct performance evaluations for the assistant custodian, custodial aides and cleaners assigned to the building since they are all part of OAPSE.

R4.14 Principals should play a larger role in the evaluation process for custodians. Custodial personnel should receive evaluations jointly prepared by the principal or his or her designee and the custodial supervisor.

District's 1999 Economy and Efficiency Plan Response

The District recognizes there is a potential conflict by having the head custodians evaluate custodial personnel. The problem is that the supervisor of building and grounds is not in a position to adequately evaluate custodial aides and cleaners. During the next negotiation, the District will propose removal of the head custodians from the bargaining unit. The superintendent will develop a program to give principals a larger role in evaluating custodial functions at the schools.

Implementation Status

ECCSD's head custodians continue to evaluate the work performance of the assistant custodians. Both head custodians and assistant custodians are members of OAPSE, which suggests a conflict of interest. Additionally, principals evaluate the head custodians. However, the supervisor of buildings and grounds, who is in charge of all custodial and maintenance employees, does not receive copies of performance evaluations or has an opportunity to participate in the evaluation process.

Implementation Assessment

According to the District Personnel Manual:

- Regular evaluation of all classified staff is intended to bring about improved services, to provide a continuing record of the service of each employee, and to provide evidence on which to base decisions relative to assignment and re-employment.

- The superintendent establishes a continuing program of performance evaluation for the classified staff. The program includes written evaluations and a means of making the results known to the evaluated employee.

- The services of all classified staff employees are evaluated at least once each year. Procedures used in the evaluation process are subject to Board approval or in accordance with the negotiated agreement.

There is no wording within the bargaining unit contract for classified employees or the personnel manual that discourages the head custodian from evaluating the assistant custodian, both of whom are members of OAPSE. According to the director of buildings and operations, the removal of the head custodian from OAPSE was brought up during negotiations, but was rejected.

The supervisor of buildings and grounds and the director of buildings and operations do not receive copies of evaluations or participate in the evaluation process. They also are not evaluated by District administration. Principals participate only in evaluations of the head custodians. The 1999 Performance Audit determined that building principals did not have a role in the evaluation process of custodians. Therefore, ECCSD has made some progress on this recommendation by including principals in the evaluation process, but these steps should be extended to all custodians within a principal's building.

Conclusion

*ECCSD did **not implement** these recommendations.* The District should delegate the responsibility for evaluating all custodians, including the head custodian in each building, to the respective building principals. The supervisor of facilities and grounds should have input on each evaluation and should be included in the evaluation process of all custodians under his direction. Additionally, the supervisor of facilities and grounds should receive an evaluation at least annually from the superintendent.

R4.15 ECCSD should reinstate the practice of conducting building inspections and the inspections should be properly documented and placed into an organized filing system arranged by facility. Building inspections need to be properly documented and should be included as part of an employee performance evaluation. The District should consider inviting members of the Board and principals to participate in one or two inspections per year.

R4.16 The District should more regularly use its building inspection form. The inspection form should identify the following:

- **Type of room;**

- **Areas examined;**
- **A list of tasks; and**
- **And scale to rate cleanliness.**

R4.17 Building files should be developed for each building in the District and any inspections which pertain to a specific building should be filed in the appropriate building file and kept in a central location.

District's 1999 Economy and Efficiency Plan Response

The practice of conducting building inspections and maintaining proper documentation will be reinstated. The present building inspection form will be updated by the business manager and will be used in all building inspections whether announced or unannounced. Building files will be established under the auspices of the Building Grounds Department.

Implementation Status

ECCSD developed an inspection form in December 1999 to record results of the inspections, and the last building inspection occurred in January 2000. Since that time no further inspections have been performed. Lawhon & Associates was contracted by OSFC as part of the Classroom Construction Assistance Program to develop a facility maintenance manual for each ECCSD facility. Lawhon & Associates also developed inspection forms to be included in the facility maintenance manual (see **R4.3**).

Implementation Assessment

According to the supervisor of facilities and grounds, the District is planning to start building inspections again. However, an implementation date has not been set. Although inspections are not being performed, the Department of Facilities and Operations has created a filing system by school that includes supply, equipment and work order requests.

ECCSD's inspection form allows for results of the inspection of the custodial care of classrooms, halls, restrooms, shower rooms, offices, outside area, boiler room and contracted maintenance work. The forms are reviewed and signed at all appropriate administration levels. However, when compared with the contractor's forms, Lawhon & Associates provides more detailed information than the inspection forms developed by the District. For instance, Lawhon & Associates provides the recommended frequency for inspecting all equipment relating to life/fire safety, building structure, exterior, plumbing, electrical systems, interior, grounds and landscape, and kitchen. Lawhon & Associates' inspection forms ensure that all equipment is being reviewed at the recommended frequency and provides space on the form for each piece of equipment and area to be rated satisfactory or unsatisfactory and checked off when inspected.

Conclusion

*The District has **not implemented** these recommendations*, with the exception of creating a centrally-located filing system. The Facility and Operations Department should immediately implement the comprehensive inspection process and form developed by Lawhon & Associates to ensure that cleaning is being performed properly on all required areas.

Additionally, the Facility and Operations Department should start performing building inspections to maintain the integrity of the buildings and to ensure that custodial and maintenance personnel are performing effectively and in accordance with the frequency established by Lawhon & Associates within the facility maintenance manual. Inspections should initially occur every other month and problematic areas should be targeted for more regular follow-up. This process should begin at the start of the 2003-04 school year. ECCSD administration should ensure the implementation of this recommendation by updating the job descriptions of appropriate Facility and Operations Department personnel to include inspection duties in their regular job tasks (see **R3.28**).

R4.18 A custodial handbook should be developed and distributed to the staff. The handbook should include standard operating procedures that all custodial staff members are to follow in carrying out their assigned duties. A custodial handbook should contain the following:

- **Step-by-step directions for each task;**
- **An estimate of the time to complete each task;**
- **The appropriate supplies and equipment; and**
- **The frequency with which a task should be performed.**

A custodial handbook should promote the use of standardized procedures by the custodial staff and should lead to a uniform level of cleanliness in the District's buildings. This information should also be useful in determining the appropriate level of custodial staffing for each building and should be a progressive step toward custodians effectively maintaining more square footage.

District's 1999 Economy and Efficiency Plan Response

A custodial handbook will be developed under the auspices of the business manager and the supervisor of buildings & grounds and will be provided to all custodial and cleaning personnel.

Implementation Status

The Facility and Operations Department does not have a custodial handbook. Employees only receive a copy of the bargaining unit contract. The custodial staff does not have formalized procedures specifying the techniques and products that should be used in various job duties. Each custodian performs his job duties using the products and procedures of his preference rather than using standard methodologies or products chosen by the District.

Implementation Assessment

In the absence of formal training, standard operating procedures or an operations handbook, there is an inconsistency and inefficiency in the District's custodial operations. By allowing each custodian to determine the procedures and products they use to clean, the District runs the risk of not having all areas cleaned in the most efficient or effective manner. Standardized procedures and supplies ensure that the custodial staff is familiar with equipment, cleaning supplies and appropriate cleaning procedures. Likewise, standardization helps increase custodial efficiency

Conclusion

*The District has **not implemented** this recommendation.* The Facility and Operations Department should standardize cleaning procedures for all areas maintained. These procedures should specify the supplies to be used for each job duty. Standardizing procedures and use of supplies will increase efficiency in custodial operations and ensure that all District facilities are sufficiently and consistently cleaned. In standardizing the procedures, the District should investigate the best equipment, products and procedures to obtain the highest level of efficiency.

The International Sanitary Supply Association (ISSA) has developed a manual designed to help train custodians. The program details the correct cleaning methods as well as the proper use of custodial equipment. This manual details procedures, guidelines and pointers on the following:

- Floor finish application;
- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Oscillating and multiple brush floor machines;
- Rotary floor machines;

- Scrubbing/stripping;
- Spray buffing/high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

ECCSD should ensure that all ISSA areas a covered in its procedures.

Once the Facility and Operations Department has developed formal procedures for custodial operations, it should develop a handbook, provide training on those procedures and periodically review the procedures to ensure that all custodians are cleaning more square feet in accordance with American School and University (AS&U) standards, and in a more sufficient and consistent manner. See **R4.25** and **R4.26**, for further analysis of custodial staffing levels. The District should invest resources in ensuring that the custodial staff receives training on products, equipment and cleaning methods on an annual basis, especially on any new equipment or procedures.

Financial Implication: The cost of the ISSA manual is $60 for non-members and $45 for members. In addition to this manual, ISSA has several other training programs for custodial staff.

R4.19 ECCSD needs to establish and follow procedures for paying District staff overtime. When employees are paid in cash, there are no controls over the payments and there is the potential for employees to be paid twice, once through the payroll system and once in cash.

R4.20 In order to effectively manage custodial operations, ECCSD needs to monitor the overtime expenditures for custodial employees. The District should generate reports that show overtime expenditures by department on a monthly basis. The overtime expenditure reports should also identify the specific reason for the overtime.

District's 1999 Economy and Efficiency Plan Response

Overtime of staff must be authorized by the appropriate administrative staff. No employee may be paid in cash. Payment of cash will result in disciplinary action. No overtime in the custodial area can occur without the approval of the supervisor of buildings and grounds who must sign the overtime forms and will, on a monthly basis, report overtime expenditures by building to the business manager.

Implementation Status

The District's purchasing agent stated that all personnel expenditures, including custodial pay and overtime, is processed through the payroll system (see **R2.48**). According to the supervisor of buildings and grounds, overtime is monitored on a daily basis. Reports can be generated by the Payroll Department on the amount of overtime per employee. However, these reports do not identify a specific reason for the overtime. Only the written time sheets maintained by the supervisor have this information.

The Facilities and Operations Department has a process for monitoring and signing-off on the employees' time sheets, but it is not formalized and documented. All custodians and maintenance personnel have to fill out an overtime sheet showing the work performed, date, time started, time completed, general activity, total hours worked and gross pay. This form is signed by the head custodian and the supervisor of buildings and grounds. If the employee works overtime without supervisor approval, the supervisor will not approve the time sheet for overtime pay. Currently, the only custodians who use overtime are those working at schools which have weekend and evening events such as sports, talent shows, etc. Overtime is no longer used to cover shifts left vacant by absent employees. Head custodians receive most of the overtime because they get called out for security checks during off hours.

Prior to the automation of the boiler and heating, ventilation and air conditioning (HVAC) systems, overtime was used to perform weekend checks to reduce freezing of these systems. Only minimal weekend checks are being performed as the automated systems notify the supervisor when problems occur.

Implementation Assessment

Table 4-3 presents the Facility and Operations Department's overtime usage over the last three fiscal years.

Table 4-3: FY 1999, 2000 and 2002 Overtime

Fiscal Year	Total Salaries and Wages	Annual Overtime Costs	Overtime as a Percentage of Salaries
1999-00	$1,935,374	$190,127	9.6%
2000-01	$1,985,344	$167,071	8.2%
2001-02	$1,955,168	$85,433	4.4%

Source: ECCSD HR Department

As shown in **Table 4-3**, the Facility and Operations Department's overtime usage between FY 1999-00 and FY 2001-02 decreased by more than 50 percent due to the Department's goal to reduce overtime usage and because of the new boiler and temperature automation systems. However, upon reviewing overtime usage per employee, there were five custodians who earned over $20,000 in overtime over a three-year period. Additionally, there is one head custodian whose annual salary is approximately $40,000, who earned $40,000 in overtime over a three-year period for performing functions such as security checks and various maintenance functions. The total overtime cost for these six custodians over a three-year period ($170,000) is equal to four level IV custodians' salaries.

Conclusion

ECCSD **partially implemented** *these recommendations*. The Facility and Operations Department has succeeded in reducing overtime through oversight processes and automation of facilities. However, the Department should have formal, written procedures for overtime requests and work performed to be included in the custodial manual which has not been developed. The supervisor of buildings and grounds should establish a policy detailing how to get prior approval of overtime and the documentation needed. Once the Archibus FM, a facilities management system, (see **R4.27**) is fully implemented for all schools, the work order module should be used to keep track of all work performed (including overtime) by custodial and maintenance employees. Although the Department has reduced overtime, there still needs to be strong oversight of overtime usage for each employee due to the Districts' fiscal situation.

R4.21 The District should invest in technology to remotely control and monitor boilers. Remotely controlled boilers would eliminate the need for weekend building checks and reduce custodial overtime. The use of remotely controlled boilers would also allow the District to heat the facilities more efficiently and safely.

<u>*District's 1999 Economy and Efficiency Plan Response*</u>

The Classroom Construction Assistance Program will be upgrading the controls on the boilers to provide remotely controlled systems. All buildings will be fully operational over the next five years.

<u>*Implementation Status*</u>

As of March 2003, the construction at Chambers, Superior and Prospect Elementary Schools was completed and each had installed new boiler and HVAC systems. An automated supervisory control system was included in the bid specifications of the Classroom Construction Assistance Program for all ECCSD facilities.

<u>*Implementation Assessment*</u>

During the 1999 Performance Audit, an extremely high amount of overtime usage by the Facility and Operations Department was noted. Most of the overtime was the result of manual boiler and HVAC systems which required custodians to perform weekend and night checks, especially during the winter season. Recent analysis of overtime, as shown in **Table 4-3,** indicates that the Facility and Operations Department has reduced its overtime by more than 50 percent.

<u>*Conclusion*</u>

*ECCSD has **fully implemented** this recommendation* through the Classroom Construction Assistance Program and the ongoing implementation of automated boiler and HVAC systems**.**

R4.22 ECCSD should develop a custodial substitute pool to cover custodian absences and permit events.

<u>*District's 1999 Economy and Efficiency Plan Response*</u>

The District will evaluate methods for reducing custodial overtime. The solution involves sensitive OAPSE/District solutions given the past practices in this area. Any solution will be subject to scrutiny under the arbitration provision of the contract. In all events, the matter may become a subject for discussion in the next OAPSE negotiations.

<u>*Implementation Status*</u>

The Facility and Operations Department has a substitute cleaner pool list that was developed to record the names and phone numbers of back-up cleaning support personnel.

According to supervisor of buildings and grounds, most permanent custodians are hired from the substitute pool. In addition, the supervisor also stated that he is in the process of developing an evaluation system for the substitute cleaners. This will help in maintaining documentation of performance for substitute cleaners for use when selecting permanent employees.

Implementation Assessment

Although the District has established a custodial pool, they are not effectively using this pool to avoid overtime, but as a means to supplement staffing when District custodians refuse overtime. The current OAPSE contract does not state that overtime has to be offered to District employees before using substitutes. However, it is a consistent practice within the Facility and Operations Department to offer overtime first to all available District custodians before using substitute custodians.

Conclusion

*The Facility and Operations Department has **partially implemented** the recommendation* in the 1999 Performance Audit by using substitute custodians as allowed by the bargaining unit.

R4.23 ECCSD should schedule the assistant custodian to work in the evening, from 2 p.m. to 10 p.m. so supervision of the cleaners is possible.

District's 1999 Economy and Efficiency Plan Response

The District will look into the feasibility of creating more time differentials between the custodian and assistant custodian so that the latter can directly supervise the evening cleaning staff.

Implementation Status and Assessment

According the Facility and Operations Department's schedule, the assistant custodians are working a second shift in all schools except for Shaw Technical Center, within Shaw High School, and Chambers Elementary School because these facilities do not have evening activities. Assistant custodians are given specific functions to perform during the second shift and these tasks are reviewed the following day by the head custodian for completion. This ensures that work is being performed when the head custodian is off-duty.

Conclusion

*ECCSD has **fully implemented** this recommendation.* As recommended in the 1999 Performance Audit, the Facility and Operations Department has created a second custodial shift.

R4.24 The District should establish a standard time and attendance method in all buildings. An automated time attendance system would allow the District to have immediate and accurate information regarding the time that all employees begin and end their shifts. The District should determine if the security system can be reprogrammed to produce a more usable report.

District's 1999 Economy and Efficiency Plan Response

The security system cannot be used for time and attendance control over custodial personnel. However, the District will investigate other methods of electronically monitoring attendance. The subject will likely require bargaining with OAPSE.

Implementation Status and Assessment

The Facility and Operations Department's employees record their work hours on a log sheet or by a manual time and attendance method, instead of a more efficient automated system which would allow greater oversight in the payment of overtime and regular hours actually worked. See **R2.43** for further discussion of automated time and attendance systems.

Conclusion

*ECCSD has **not implemented** this recommendation.* The District should implement an automated time and attendance system which will allow for increased monitoring and oversight of attendance, especially given the number and various locations of custodians and cleaners throughout the District. This recommendation is further addressed in **R2.43**.

R4.25 ECCSD should develop a methodology for allocating custodial staff to buildings which uses quantitative data such as square feet to determine the most efficient staffing level. Factors that should be taken into consideration when establishing an allocation methodology include:

- **Square footage to be cleaned and maintained;**
- **The number of students;**
- **The number and age of the buildings;**
- **The number of classrooms;**

- **The number of restrooms;**
- **The number of special facilities;**
- **The type of floor covering;**
- **The frequency of community and extracurricular programs held in the buildings; and**
- **The desired level of cleanliness.**

The District should consider using a software package to assist in determining appropriate staffing levels.

R4.26 **The District should review custodial staffing and consider reductions. ECCSD could reduce its custodial staff by 21 positions and still have one custodian assigned to every building. The reduction of 21 custodial employees would result in an annual savings of approximately $780,000 in salaries and benefits.**

District's 1999 Economy and Efficiency Plan Response

The District will review various software packages to assist in determining appropriate staffing levels. Given the Classroom Construction Assistance Program, we will not be able to determine staffing levels until the completion of the building project.

Implementation Status

The Facility and Operations Department has no formal methodology for allocating custodial staff. It is done purely on historical requirements, activities within the school and size of the school. **Table 4-4** illustrates the number of staff from the 1999 Performance Audit, the current fiscal year, and the District's reduction forecast for custodial staff.

Table 4-4: Number of Custodial & Maintenance Employees

Classification	Actual FTEs 1998-99		Actual FTEs 2002-03	Proposed Staff FY2003 – 04
Business Manager	0.3	1.0	0.0	0.0
Supervisor of Buildings and Grounds		1.0	1.0	1.0
Secretary			1.0	1.0
Total Administration (FTEs)		**2.3**	**2.0**	**2.0**
Carpenter (II)	1.0	1.0	1.0	1.0
Carpenter Helper (I)		1.0	0.0	0.0
Electrician (III)		1.0	1.0	1.0
Painter (II)	1.0	1.0	0.0	0.0
Painter Helper (I)		1.0	0.0	0.0
HVAC (III)	1.0	1.0	0.0	0.0
Waste Management (II)		1.0	1.0	1.0
General Maintenance /Laborer			2.0	2.0
Maintenance Plumber (III)			1.0	1.0
Health & Safety (II)			1.0	1.0
Total Trades (FTEs)		**10.0**	**7.0**	**7.0**
Head Custodian High School		2.0	2.0	2.0
Head Custodian Middle School		1.0	1.0	1.0
Head Custodian Elementary		6.0	5.0	5.0
Assistant Custodian		9.0	6.0	6.0
Custodian Aide		14.0	18.0	15.0
Cleaner	22.0	3.5	19.0	16.0
Cleaner/Lunch Aide			2.0	2.0
Total Custodial (FTEs)		**57.5**	**53.0**	**47.0**
Total (FTEs)		**69.8**	**62.0**	**56.0**

Source: Facility and Operations Department

As shown in **Table 4-4**, staffing was reduced by seven FTEs or 11.2 percent from FY 1997 to FY 2002. The 1999 Performance Audit recommended a reduction of 21 FTEs, which would increase the custodial and maintenance workload to meet industry standards. ECCSD laid-off at least six custodian aides and cleaners in 2003, with more reductions planned for 2004. The reduction in custodial staff comes after the planned reduction in schools from the Classroom Construction Assistance Program, leading to a reduction in total square footage to be cleaned.

Table 4-5 illustrates the change in square footage that will occur once the construction is anticipated to be completed in FY 2006-07.

Table 4-5: FY 1998-99 and 2002-03 Comparison of Key Statistics and Indicators

	1997-98	2006-07
Number of Sites	**12**	**10**
- Elementary Schools	6	5
- Middle Schools	1	1
- High School [1]	1	1
- Administration	2	1
- Warehouse	1	1
- House	1	1
Total Square Feet Maintained	**864,596**	**765,169**
- Elementary Schools	337,854	319,446
- Middle Schools	134,802	131,880
- High Schools	344,861	284,828
- Administration	35,139	17,075 [4]
- Warehouse	4,810	4,810
- House	7,130	7,130
Square Feet per FTE Custodial Staff Member [2]	**14,829 (57.5) [2]**	**16,026 (47) [5]**
- Elementary Schools	12,286 (27.5)	17,747 (18)
- Middle Schools	14,978 (9)	21,980 (6)
- High School	18,151 (19)	12,946 (22)
- Administration	17,570 (2)	17,075(1)
AS&U 27th Annual M&O Cost Study >3,500 Students	**23,875**	Not Available
AS&U 27th Annual M&O Cost Study National Median	**20,612**	Not Available
East Cleveland CSD Square Feet per FTE Maintenance and Craftsman	**93,978 (9.2) [3]**	**109,309(7.0) [6]**
AS&U 27th Annual M&O Cost Study >3,500 Students	**75,000**	Not Available
AS&U 27th Annual M&O Cost Study National Median	**73,245**	Not Available

Source: ECCSD business manager and supervisor of buildings and grounds; AS&U 27th Annual Maintenance and Operations Cost Study

[1] Approximately 86,868 sq. ft. of the high school facility is used for vocational education.

[2] The number of custodial FTEs assigned to the buildings is in parentheses. The sq. ft. cleaned by the custodial staff is 852,656 because the house (7,130 sq. ft) and the warehouse (4,810 sq ft) are not cleaned.

[3] The sq ft. used for the Maintenance Department is 864,596 because the District maintains the house and the warehouse.

[4] The Sims Administration Building will be demolished leaving one administration building (Board) at a total of 17,043 sq. ft.

[5] The number of custodial FTEs assigned to the buildings is in parentheses. The sq. ft. that will be cleaned by the custodial staff is 753,229 (after construction) because the house (7,130 sq. ft) and the warehouse (4,810 sq ft) are not cleaned. The staffing number includes a reduction of six custodians in June 2003.

[6] The sq ft. used for the maintenance department is 765,169 because the District maintains the house and the warehouse.

As shown in **Table 4-5**, the total square footage per FTE will increase slightly with the reductions in custodial staff that took place June 2003. However, because of the reduction (100,000 sq. ft.) in school building space after completion of the Classroom Construction Assistance Program, ECCSD will need to further adjust custodial staffing to meet the American School and University (AS&U) maintenance and operations (M&O) standard of 23,875 square feet maintained and cleaned per FTE. As shown in **Table 4-5**, the custodial reductions instituted after construction is complete should be made at the elementary schools and the high school where custodians maintain a lower square footage than recommended by AS&U standards.

Conclusion

*ECCSD did **not implement** these recommendations.* To attain a standard square footage per custodian of 23,875, the District should reduce the custodial staff by 10 FTEs at the end of the Classroom Construction Assistance Program.

Financial Implication: The average salary of a Custodial I position is approximately $32,500 (including benefits). With the elimination of 10 FTE custodial staff ECCSD, could save approximately $325,000 annually in salaries and benefits.

Buildings and Grounds Operations

R4.27 The District should purchase a computerized facilities management (FM) system. Such a system will enable the supervisor to track the status of outstanding work orders, monitor backlog, forecast workload and staffing needs, and analyze the cost to do the work.

District's 1999 Economy and Efficiency Plan Response

The District has begun to search for software related to facilities management systems.

Implementation Status

The District has selected Archibus FM as its software for facilities management. As each school's construction is complete, the as-built drawings and the facility maintenance manual are sent to an OSFC-approved consulting company to transfer all statistical information and blueprints of the building to Archibus FM system. Chambers Elementary School is being added into the Archibus FM system and was completed in August 2003. The construction of Superior and Prospect Elementary Schools is complete, and the consultant will start including these schools into the Archibus FM system beginning in August 2003.

The Archibus FM system will provide the District with a computerized system that will enable District personnel to manage custodial, maintenance and other management functions. Implementation of Archibus cost approximately $106,000, which included the cost of the software, basic services and labor. The software amount included the following:

- Archibus FM version 12 Facilitator 300 (three user licenses),
- Database server application – Sybase,
- One year technical support,

- Training for three days, and
- AutoCad software.

The District's network manager will have control of the maintenance, integrity, and security of both the Trane® boiler and HVAC automation system and the networked Archibus FM systems.

Implementation Assessment

The Archibus FM implementation is part of the District's response to AOS recommendations to improve District performance in the following areas:

- **R4.3** – Develop a facilities master plan by building and system description, equipment inventory, and annual inspections;
- **R4.27** – Purchase and implement computerized FM system;
- **R4.28** – Manage work order process;
- **R4.29** – Manage preventive maintenance;
- **R4.30** – Manage Facilities and Operations Department's inventory, such as tools, equipment and supplies;
- **R4.35** – Manage tasks between Facilities and Operations and the Building and Grounds Departments; and
- **R4.38** – Manage tasks performed by private vendors.

Table 4-6 illustrates the comparison between minimum record keeping requirements listed within the 1999 Performance Audit and the Archibus FM system functions.

Table 4-6: Facility Maintenance (FM) System Needs Assessment

1999 Performance Audit Recommended FM System Functions	Archibus FM System Functions
Track Status of Outstanding Work Orders	**Work Wizard:** Issues requests to the field for emergency situations. Streamlines the work order process.
Monitor Back-logs	**Work Wizard:** Maintains a running history of building and equipment maintenance and allow better estimates and planning for future jobs.
Forecast Workloads and Staffing Needs	**Work Wizard:** View workload by location, trade, priority, craftsperson and scheduled date.
Analyze the Cost to Provide Necessary Functions	**Work Wizard:** Log actual costs, parts, and labor associated with a specific job.
	Emergency Preparedness: Allows the District to prepare emergency routes for all schools for any sensitive situation.
	Building Operations Management: Enables evaluation of work order requests to optimize labor and materials and minimize operating costs. Simplifies the work forecast and budgeting processes by accessing historical data. Tracks preventive maintenance programs to validate expenditures.
	Telecommunication & Cable Management: Shortens the planning process by maintaining a well documented network. Provides the means to help manage the network information, including system capacity, physical locations of systems and connections, and maintenance histories.
	Furniture & Equipment Management: Tracks changeover or churn of assets. Facilitates trial layouts for analyzing various options before executing them.
	Strategic Master Planning: Assists in developing long-range facility and infrastructure plans to meet overall organizational needs.

Source: 1999 Performance Audit and Ozanne Construction

Conclusion

*The District has **fully implemented** this recommendation.* As recommended in the 1999 Performance Audit, ECCSD purchased computerized FM software to monitor time and resources, and maintain the Districts' fixed assets as part of the Classroom Construction Assistance Program. As shown in **Table 4-6**, the Archibus FM system fulfills the original performance audit recommendations.

R4.28 ECCSD should develop and implement work performance and material utilization standards for each trade. The District should make sure the chosen automated work order system has the capability to incorporate and track these standards.

District's 1999 Economy and Efficiency Plan Response

The District will investigate various software packages to accomplish this recommendation.

Implementation Status

Although there are some informal processes for monitoring custodial performance, the Facility and Operations Department does not have formal work performance or material utilization standards for all trades. Instead, and the Department is waiting on the implementation of the Archibus FM system to provide a formalized system for work orders and to guide them in developing a formal comprehensive facility maintenance system. The Archibus FM system, as outlined in **R4.27**, will allow for the Facility and Operations Department to evaluate work orders to optimize labor and materials and minimize operating costs; simplify and streamline the work order process; allow for forecasting and aide in the budgeting process by accessing historical data; and track preventive maintenance programs to validate expenditures.

Implementation Assessment

The Facility and Operations Department has not developed a formalized system for analyzing work performance or material utilization requirements from 1999 to date. According to the Florida Office of Program Policy Analysis and Government Accounting's (OPPAGA) best practice indicators, a school district should establish procedures and staff performance standards to ensure efficient operations. For instance, a maintenance and operations department should have written performance standards for staff that are communicated to employees and are made readily available to other interested parties. Performance standards for commonly repeated tasks should be established by the district on the basis of internal review or available benchmarks and industry practices that are used for assigning work and conducting performance appraisals.

Conclusion

*The District has **partially implemented** this recommendation.* As recommended in the 1999 Performance Audit, ECCSD purchased a computerized FM system (see **R4.27**), which has exceeded the minimum required capabilities for incorporating work performance of all employees. In addition, the FM system provides ECCSD with a database system for developing a comprehensive inventory of all materials and supplies to

help manage the Districts' assets. ECCSD should begin immediate implementation of the Archibus FM system to track work orders and the materials used for each competed order. The supervisor of facilities and operations should develop a time line for the implementation of materials management practices with full implementation occurring no later than the completion of the current construction projects.

R4.29 ECCSD should implement a planned preventive maintenance program.

District's 1999 Economy and Efficiency Plan Response

As part of the implementation of recommendations **4.3** and **4.16**, the District will develop and implement a preventive maintenance program. As the process moves forward, the department will be looking at software programs to assist in this area.

Implementation Status

Work orders indicate that preventive maintenance is being performed on most equipment at ECCSD. However, there is no formalized system for reporting all preventive maintenance work performed. The Facility and Operations Department is awaiting completion of the Classroom Construction Assistance Program and the full implementation of the Archibus FM system to allow for a more effective work order collection and reporting system on all preventive maintenance work performed.

Implementation Assessment

The Department of Facilities and Operations does not have a Preventive Maintenance (PM) program. The development of a PM program is being completed by a contractor in the form of a facility maintenance manual for each school which will be incorporated into the Archibus FM system. In 2003, Chambers, Superior and Prospect Elementary Schools have completed their improvements or replacements as part of the OSFC Classroom Construction Assistance Program. However, no PM plan has been established for those schools, and documentation of PM work being performed has not been maintained. PM monitoring is crucial in new facilities where equipment is still covered under warranty.

According to the *Planning Guide for Maintaining School Facilities,* when planning preventive maintenance, decision-makers should consider how to most efficiently schedule the work. Whereas emergency events demand immediate attention whenever they occur, PM activities can be scheduled at a convenient time. Because a rigorous PM system results in fewer emergency events, it tends to reduce disruptions to the school schedule. Recordkeeping is important for justifying costs associated with preventive maintenance.

Conclusion

*The District has **not implemented** this recommendation.* As recommended in the 1999 Performance Audit, ECCSD should implement a planned PM system which will give the Facility and Operations Department the ability to plan, budget, and maintain equipment effectively. ECCSD should accelerate the implementation of the PM component of the Archibus FM software and begin using the software to track and monitor preventive maintenance within the District.

R4.30 ECCSD should establish inventory control procedures for all parts and equipment at the maintenance warehouse, at the schools and for any supplies maintained on district vehicles. The inventory system should include recording parts as they are removed from or added to inventory, limiting access to parts to designated personnel and completing an annual physical count of all items. In addition, any parts and tools stored on the tradesmen's vehicles and all grounds equipment should be included in the inventory control process.

R4.31 The supervisor of buildings and grounds should determine the level of funding necessary to procure durable, quality equipment for district staff. To do this, the District should develop an inventory of its current equipment to determine what is assigned to each building, and the age, condition, serviceable life and replacement cost.

R4.32 ECCSD should establish custodial supply budgets for each building. The budget should be based on the building size, number of classrooms and the number of students in the building. The head custodian should be trained and held responsible for establishing and monitoring the budget.

District's 1999 Economy and Efficiency Plan Response

The District is investigating software so that inventory for all parts and equipment throughout the District can be maintained. The supervisor of buildings and grounds manages the custodial supply budget. The custodial supply budgets are allocated by building and are based upon size and number of students. The head custodian is trained to monitor their building allocations.

Implementation Status

The District does not have an annual inventory process as a means to monitor use and misuse of materials, parts and supplies. See **R2.35** for further analysis on fixed asset tracking. According to the purchasing agent, ECCSD has hired an outside appraisal company that performs a property inventory and account cost record report. However, a

contract or agreement with this company could not be provided by the District. The last inventory occurred in June 2000 and, according to the purchasing agent, the District is in the process of using the appraisal company to perform another property inventory for FY 2003-04. The property inventory is organized by building, and includes the cost to reproduce new as well as the value of the property based on its current condition.

The Facility and Operations Department has several supply vendors with standing purchase orders from which the supervisor of buildings and grounds orders paper and cleaning products. Several vendors are used to achieve the best prices for required supplies. Initially the supervisor of buildings and grounds orders the supplies and materials needed for all school facilities in one order, however small purchases are still made throughout the year. Custodial supply budgets are developed for each school and are based on historical supply usage, which is dependent on the school facility size, number of classrooms and the number of students. The head custodian in each school maintains the supply stock and visually monitors supply usage for theft or abuse.

Implementation Assessment

ECCSD has satisfied the 1999 Performance Audit recommendation in establishing custodial supply budgets for each school, which are based on the building size, number of classrooms and the number of students in the building. However, the District has not trained head custodians in the budgeting process and they are not held responsible for establishing and monitoring their budgets. This responsibility remains with the supervisor of facilities and grounds. Although ECCSD periodically performs a property inventory and cost accounting by an outside consultant, they do not perform an annual in-house inventory, as recommended, as a means to monitor use and/or misuse of materials, parts and supplies.

Conclusion

*The District has **partially implemented** these recommendations.* ECCSD has implemented a portion of the 1999 Performance Audit recommendation; however, the District still needs to train head custodians on the budgeting process and hold them accountable for establishing and monitoring their budgets. Additionally, ECCSD should perform annual in-house inventories as a means to monitor use and/or misuse of materials, parts and supplies. ECCSD should also establish a formal written contract or agreement with Industrial Appraisal, as with all vendors or consultants, to set parameters and expectations for all work requirements. ECCSD should use the Archibus FM system to help in establishing and monitoring budgets. When fully used, the Archibus FM system will aid the District in determining the value on all fixed assets as required by the Government Accounting Standards Board, Standard 34(GASB34). See **R4.27** for further analysis on the Archibus FM system.

R4.33 ECCSD should establish a formal equipment replacement policy which considers factors such as the manufacturer's projected life for the equipment, the useful life, and the cost to repair versus replacement cost.

District's 1999 Economy and Efficiency Plan Response

The Department presently follows a procedure of evaluation based upon projected life of equipment and the useful life of equipment. The Department will develop a formal equipment replacement policy. This will be accomplished after the inventory referred to in **R4.30** has been completed.

Implementation Status and Assessment

The Department of Facilities and Operations does not have a formal equipment replacement plan. All equipment is replaced as needed and as funds dictate from year-to-year. Because equipment is being replaced as funds permit, equipment may be used after its intended life cycle leading to a higher repair and operating costs.

Conclusion

*The District has **not implemented** this recommendation*. The Facility and Operations Department should develop a capital replacement plan that prioritizes replacements based on the age of the equipment and expected useful life span. Repair and operating costs should also be considered as some older equipment may continue to function effectively well after its intended life span. The capital replacement plan should be linked to the annual budget. ECCSD should begin to set aside funds to purchase new equipment on a predetermined replacement schedule.

R4.34 ECCSD should eliminate the waste management II position and contract with Browning-Ferris Industries (BFI) to pick up trash at each school, rather than at one location.

District's 1999 Economy and Efficiency Plan Response

The District will evaluate the feasibility, desirability and the cost of BFI picking up the trash at one location.

Implementation Status

The maintenance III employee (previously maintenance II) performs standard maintenance functions and picks up refuse twice a day at each school and takes it back to the six dumpsters at the warehouse for BFI to pick-up and take to the landfill each day.

BFI is collecting refuse at one location because most of the schools do not have room for dumpsters. ECCSD examined the option of BFI picking-up refuse at each school. However, according to the account supervisor at BFI, BFI determined that company dump trucks had to cross over children's walkways creating a hazard and increasing the liability for both BFI and the District.

Implementation Assessment

ECCSD has taken steps to research alternative service deliveries relating to refuse collection, and determined that the current refuse collection system of having BFI pick-up at one centralized location will lessen the opportunities for accidents to occur involving refuse trucks. However, ECCSD is having refuse collected twice, which has led to inefficiency in the way this function is being performed.

Conclusion

The District has **partially implemented** *this recommendation*. Although ECCSD has researched ways to dispose of refuse, it should still continue to research other alternatives to for refuse pick-up. The following are some alternatives:

- Place dumpsters at each school so that they are out of the way of possible hazardous areas; and

- Contract with the City of East Cleveland for the use of their transfer station so that the maintenance III employee could collect refuse from each school and dispose directly at the transfer station, therefore eliminating the need for BFI to collect.

R4.35 Custodians should assume responsibility for minor maintenance tasks to enable reductions in the work order backlog.

District's 1999 Economy and Efficiency Plan Response

Custodians presently do minor maintenance tasks. The supervisor of buildings and grounds will assess the nature of the minor repair that custodial personnel will perform. Training sessions to bring all custodians up to standard will be held.

Implementation Status

According to the supervisor of facilities and grounds, there is no clear understanding of job requirements among the custodians when it comes to performing minor maintenance tasks. There are some custodians that perform minor maintenance and some that refuse because they assume that the job entails only custodian functions. For example, a

custodian may refuse to unclog a toilet because he or she perceives this task as the maintenance III (plumber) position function.

A review of 30 backlogged work orders revealed that most of the work that has not yet been completed is major maintenance work such as boiler, air conditioning, electrical wiring and fencing, which requires in-house or contracted maintenance work. This may indicate that the maintenance employees do not have sufficient time to carry out the critical components of the jobs because they are spending additional time on minor maintenance tasks. These tasks are usually delegated to custodial staff in other districts.

Implementation Assessment

A paragraph in all ECCSD custodial job descriptions states "Perform any and all other related duties or functions that are necessary for the efficient operation of the building as assigned by the Supervisor of Buildings and Grounds."   This language would appear to allow the supervisor to assign minor maintenance functions to custodians and ensure that all needs of the District are being met in a timely manner.

Conclusion

*ECCSD has **partially implemented** this recommendation.*   Although the Facility and Operations Department has made improvements toward assuming responsibility for minor maintenance tasks, communication on specific job functions and requirements of the custodians need further clarification and documentation. The Facility and Operations Department should update their job descriptions to include specific wording requiring custodians to perform minor maintenance tasks. See **R3.28** for further analysis of job descriptions. Furthermore, training should be provided to custodians on the minor maintenance components of their job function. Lastly, custodial support of maintenance personnel should be documented through the evaluation process.

R4.36 ECCSD should negotiate a reduced COLA for maintenance wages and salaries at the end of the current contract period.

District's 1999 Economy and Efficiency Plan Response

East Cleveland should not be compared to peer districts. It must be compared to trade salaries in Cuyahoga County. In order to attract skilled and licensed personnel, the District must pay competitive rates for this area. This issue is subject to negotiations.

Implementation Status

ECCSD completed a three-year contract in July 2001 that includes cost of living (COLA) increases of 2.0 and 3.0 percent.

Implementation Assessment

Table 4-7 is a salary comparison of the ECCSD maintenance and repair personnel compared to State occupational employment statistics for maintenance and repair worker positions in the Cleveland area.

Table 4-7: Trades Salary Comparison

Maintenance II	$38,268
Maintenance III	$42,799
ECCSD Weighted Average	$36,896
State Occupational Employment Statistics for Maintenance and Repair Worker positions in the Cleveland Area	**$31,658**
Difference	**$5,238**

Source: Accrued Wages Report from Payroll, AS&U, Ohio Department of Jobs and Family Services

In the 1999 Performance Audit, ECCSD salaries and wages for these positions were 10 percent higher than the AS&U median salary for maintenance workers. As shown in **Table 4-7**, ECCSD is currently 19 percent higher compared to the State average for occupational employment salaries for maintenance and repair worker positions in the Cleveland area. Therefore, ECCSD is paying its maintenance workers more than other maintenance workers in the Cleveland area.

Because ECCSD's weighted average trade salary was substantially higher than the peer average and the AS&U average at that time of the 1999 Performance Audit, it was recommended that the District negotiate a reduced cost-of-living (COLA) adjustment for maintenance wages and salaries at the end of the current contract period. It was also recommended that the District seek a 1.0 percent, 1.0 percent, and 1.0 percent COLA adjustment for the subsequent three-year contract period. The reduction in COLAs would reduce the difference between the wages and salaries of the maintenance staff in comparison to other school districts. According to the director of facilities and operations, the reduced COLA was addressed in bargaining unit negotiations. As a result, the District's maintenance III and II employee's salaries increased by 2.0 percent from FY 2001 to 2002 and by 3.0 percent from FY 2002 to 2003, which was similar to the COLA increases for certificated staff under the East Cleveland Education Association union.

Conclusion

*The District **partially implemented** this recommendation*. ECCSD should negotiate a reduced COLA for maintenance wages and salaries during the next contract negotiations. As stated in the 1999 Performance Audit, the District should seek a 1.0 percent, 1.0 percent, and 1.0 percent COLA adjustment for the next three-year contract period. Negotiating a lower COLA for trade employees would help ECCSD bring these salaries more in line with peer and regional averages over the next few years. This process should be continued until salaries reach a comparable range. The funds saved through reduced COLAs for trade employees will aid in the District's comprehensive plan to reduce debt and increase focus on instructional programs.

R4.37 The District should schedule maintenance employees to work a second shift.

District's 1999 Economy and Efficiency Plan Response

The District will review its scheduling of maintenance employees in the effort to reduce overtime and increase productivity consistent with its union contract. This issue will be investigated for negotiations in 2001.

Implementation Status

Although minutes of the negotiations were not retained, according to the director of facilities and operations, this idea was presented during union negotiations and the bargaining unit did not agree to its implementation.

Implementation Assessment

The District has reduced its maintenance staff by two FTEs since the 1999 Performance Audit. Maintenance functions are now being fulfilled by a greater range of contracted services. However, the supervisor of buildings and grounds stated that formal agreements or contracts between the District and supply or maintenance vendors are not consistently being developed.

Under the OAPSE contract, the Board has the responsibility to exercise its authority to manage and direct all operations and activities of the District. The exercise of these powers, rights, authority, duties and responsibilities by the Board and the adoption of such policies, regulations, and rules are only limited by the terms of the bargaining unit agreement under "union rights". Article 19, "Union Rights", requires the Board of Education to inform and seek the union's input whenever possible.

Conclusion

*ECCSD has **not implemented** this recommendation.* The District should continue to work with its bargaining unit to ensure management flexibility in scheduling employees. ECCSD should reintroduce this recommendation during the next round of negotiations and continue to request management flexibility in scheduling maintenance employees in future years.

R4.38 The District should evaluate the types of work that are being contracted with private vendors and reassess District staffing levels to determine if maintenance work is being completed in the most efficient manner possible. The District should consider either reducing the maintenance staff or reducing the amount of work that is contracted out.

District's 1999 Economy and Efficiency Plan Response

Where appropriate, the District has hired in-house expertise and reduced payment to outside vendors on an ongoing basis. The Facility and Operations Department will continue to evaluate the economics of performing in-house as opposed to contracting out.

Implementation Status

The Facility and Operations Department has no formal methodology for evaluating the need for purchased or contracted services. The Facility and Operations Department anticipated that, with the completion of portions of the Classroom Construction Assistance Program, there would be a reduction in reactive maintenance work. This would occur as a result of the new facilities requiring fewer emergency repairs. In response to the decreased maintenance needs, ECCSD laid-off three maintenance employees. Currently, the Facility and Operations Department has seven FTE maintenance employees: a carpenter, an electrician, a waste management employee, two general maintenance/laborers, a maintenance plumber, and a health and safety coordinator.

Having no formal methodology for evaluating purchased services may result in the District purchasing services that could otherwise be performed in-house with existing personnel. Purchased services (roofing, elevator and alarm repairs) should only be used when the District cannot provide these specialized services in-house.

Implementation Assessment

In 1999, purchased services comprised 37 percent of the maintenance budget. **Table 4-8** shows the purchased services costs as a percentage of total facility expenditures for the last three fiscal years.

Table 4-8: Facility Purchased Services as a Percentage of Maintenance Expenditures

FY	Expenditures	Total Purchased Services	Percentage
1999-00	$4,943,335	$326,343	6.6%
2000-01	$5,035,657	$158,214	3.1%
2001-02	$4,442,733	$148,637	3.3%

Source: Fund 2700 BUDWRK report and 4502

As shown in **Table 4-8**, the Facility and Operations Department has reduced expenditures on purchased services by almost 50 percent from FY 1999-00 to FY 2000-01. This is because the Classroom Construction Assistance Program, which started in FY 2000, resulted in new buildings and equipment which, in turn, reduced maintenance requirements.

According to CH/UH, a professional and well-trained maintenance and grounds staff provides the District with flexibility concerning the types of projects they can do in-house. CH/UH performs cost benefit analyses to determine whether to perform work in-house or contract for the services. In doing so, CH/UH stated that they are able to look at how quickly something needs to be completed and what the workload of the in-house staff looks like. They also take into consideration the nature of the project and what they hope to have as an end result.

According to findings of a National Survey of Local Government Service Contracting Practices, the failure of governments to accurately compute the cost of in-house and contract service delivery is related to the absence of a consistent methodology that ensures all relevant costs are included in the analysis. A number of state and local governments have developed cost comparison formats to assist officials in presenting a summary of cost comparison data between in-house and contract service deliver.

Conclusion

*ECCSD has **not implemented** this recommendation.* Although the District has reduced overall purchased service expenditures from FY 1998-99, a methodology to evaluate the need for all contracted and purchased services has not been implemented. The District should adopt a methodology, such as the following, for evaluating contract versus in-house services. The methodology should include an assessment of the total cost of in-house and contract service delivery.

Determining the total cost of in-house service delivery:

The total cost of providing a target service in-house, also known as the fully allocated cost, is the sum of its direct costs plus a proportional share of organizational overhead, or indirect costs. When the direct and overhead costs of a service are identified, the resulting cost constitutes the "fully allocated cost," or total cost, of providing a service in-house.

In-house Fully Allocated Cost = Direct Costs + Share of Indirect Cost

Direct costs are those cost items that only benefit, and thus are totally (100 percent) chargeable to a service. (e.g., cost of supplies, materials, travel, printing, rent, utilities, and communications). Direct costs that are frequently overlooked are interest costs, pension costs, and facility and equipment costs.

Overhead costs, or indirect costs are cost items that benefit the service and at least one other government service, program, or activity. The expenses of various administrative and support services provided to a target service by other departments are overhead costs. (e.g., salaries, wages, benefits, rent, utilities, supplies, travel, etc.)

Determining the cost of contract service delivery:

The total cost of contract service delivery consists of the following formula:

Total Contracting Cost = Contractor Cost + Administration Cost + Conversion Costs (amortized) – New Revenue

Contractor costs may be the easiest component of contract service delivery cost to compute. Contractor costs are simply the total costs a contractor proposes to charge for performing the target service. Contractor costs can generally be taken directly from a contractor's bid or proposal.

Contract administration costs may be the most difficult component of contract service delivery costs to compute. Contract administration can be defined as all those activities that take place from the time a decision is made to contract out until the contract is fully executed and final payment is made (e.g., procurement, contract negotiations, contract award, processing of amendments, resolutions, or change-orders, processing of contractor invoices, contract monitoring and evaluations). See the **contract management** section for further analysis on contract monitoring and evaluations.

The two major methods in use for estimating the cost of contract administration are informed judgment and federal Office of Management and Budget (OMB) guidelines. Based on state and local government experiences with contracting out, the costs of

contract administration have been assessed at between zero and 25 percent of contractor costs. However, one-time conversion costs are sometimes incurred when converting a service delivery from in-house to contract service delivery (e.g., unemployment, compensation, accrued annual and sick-leave benefits and other severance items).

R4.39 ECCSD should implement the recommendations in this report before assessing whether it would benefit from privatization.

District's 1999 Economy and Efficiency Plan Response

The District agrees especially in that privatization raises many bargaining issues. (See response to **R4.38**)

Implementation Status

The supervisor of buildings and grounds has been required by the superintendent to seek Requests for Information (RFI) on privatizing custodial operations. The supervisor of buildings and grounds already has two price quotes and is currently seek a third.

Similarly, ECCSD has started privatizing major maintenance repairs for HVAC and plumbing. According to the director of facilities and operations, the reduction of four FTE maintenance employees (HVAC, painters, and plumbers) was made after the construction and improvements started on the schools. As all building systems will be new, the focus will be on preventive maintenance not repairs. The additional maintenance employees were originally hired to attend to emergency repairs on the District's aging systems. The director stated that if the District now needs major repairs, a maintenance contractor is contacted.

ECCSD received two quotes for the privatization of custodial services. If the District were to privatize custodial services, they would retain responsibility for providing cleaning supplies to decrease the associated costs. In addition, the head custodians and the supervisor of buildings and grounds would be retained to manage, perform minor maintenance tasks when needed, and oversee the daily cleaning activities in each school.

- CS Cleaning Services, Inc. quoted a cost of $ $62,028 per month or $744,336 annually, although the quote does not appear to include modular units.

- One Source Janitorial Services quoted a total cost of $51,875 per month to clean all schools (including modular units), or an annual cost of $622,500.

Implementation Assessment

The Facility and Operations Department's personal services costs for custodial services average approximately $2 million per year. The average head custodian (8 FTEs) averages $38,000 per year and the supervisor averages $45,000 per year for a total of $350,000 per year in salaries that ECCSD would continue to pay. However, the total cost savings resulting from privatizing custodial services would be approximately $1million per year in salaries and benefits. ECCSD would realize an even greater cost savings after Rozelle Elementary School is demolished.

The ability of a school district to contract out services or use temporary workers can contribute to its overall efficiency and effectiveness. Often, a district can reduce overtime and substitute custodial costs and avoid paying benefits by using temporary staff for specific projects. The Cincinnati City School District hires additional temporary maintenance staff for project work. These temporary workers do not receive benefits. The use of temporary workers allows the District to complete repairs and improvements to facilities while reducing overtime costs and the costs associated with benefits. The Cleveland Municipal School District has negotiated an agreement with the Building Trades Council to provide temporary tradesmen on an as needed basis. This agreement allows the district to avoid having to maintain staff on the payroll when their services are not needed. ECCSD's contract with OAPSE does not include a clause that prevents privatization of the custodial function.

Conclusion

ECCSD **partially implemented** *this recommendation.* On occasion, the District issues Requests for Proposals (RFP), but it does not consistently issue Requests for Qualifications (RFQ) from vendors or consultants to ensure that they can meet the needs of the District. ECCSD should develop detailed specifications and initiate a formal RFP for privatizing janitorial services. In most cases, custodial companies will absorb a district's custodians into their organization because of the custodians' familiarity with the buildings and the company's increased need for personnel. ECCSD should also invite a wider range of qualified janitorial companies to submit RFP's and RFQ's to ensure that the District is receiving bids from the best and most qualified companies in accordance with ORC § 3313.46.

RFP's are usually used for more complicated purchases and the evaluation may be based on the overall value of what is being proposed, taking into consideration reliability, risk, and other factors. RFQ's are normally used to ascertain the general qualifications of consultants or particular qualifications in a selected area of expertise, such as modular unit or security system installations. The District should solicit RFP's and RFQ's in conjunction with specific projects or studies that contain details on the scope of services

desired, project descriptions, and budget allocations. Policies and procedures should be developed for the RFP and RFQ process to eliminate any perception of favoritism. See the **contract management** section for further analysis and recommendations on RFP and RFQ process.

Financial Implication: The savings resulting from privatizing janitorial services would be approximately $1 million per year, including personal services, benefits, overtime, and substitute custodial costs.

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Transportation

Summary

East Cleveland City School District's (ECCSD) Transportation Department has fully implemented 7 of the 19 the recommendations made in the 1999 Performance Audit completed by the Auditor of State of Ohio. However, those recommendations that were implemented had little impact on the financial condition of ECCSD.

The District did not implement nine of the recommendations, and several had financial impacts on ECCSD. For example, in fiscal year (FY) 2002-03, ECCSD purchased three school buses for approximately $157,000. The District did not have a bus replacement plan (**R5.12**) in place and, therefore, had to fund this purchase from its General Fund without the forethought of having this expenditure in a capital plan (**R4.2**).

The District's 1999 Economy and Efficiency Plan, which was required by statute, stated that ECCSD would only use vendors who provide tax exemption for the federal excise tax on fuel purchases (**R5.15**). However, in FY 2002-03 the District awarded a fuel contract to a vendor that is not deducting the federal excise tax. The implementation assessment estimates ECCSD paid approximately $7,500 in federal excise tax for which the District is exempt. The District should file Internal Revenue Service Form 843 to recover the overpayment. This recommendation was also made in the 1999 Performance Audit to recover an estimated $2,000 overpayment, but according to the treasurer, the District did not file for a refund.

In July 1999, ECCSD ordered transportation routing software, at a cost of $19,950, to increase its transportation operational efficiency as recommended in **R5.19**. To date, the software has not been implemented by the District. Therefore, the District has not been able to recoup its investment. The director of pupil personnel services also stated that the District is reviewing its bus routing options for FY 2003-04. One plan is to move to "cluster" bus stops, which will require students to walk to the corner of their street for pick-up. The District is estimating it will be able to reduce four bus drivers with the use of cluster bus stops. However, if the Transportation Department had implemented routing software, it would have been able to run different scenarios to determine the most economical and efficient transportation routes consistent with the District transportation policy.

The following table summarizes the Performance Audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained in the analyses which follow.

Financial Implications Table

Recommendations		Estimated Cost Savings (Annual)	Revenue Enhancements (One Time)
R5.1	Implementation of cluster stops with five bus drivers.	$250,000	
R5.15	Receive refund of Federal Fuel Excise Tax.		$9,500
Total		**$250,000**	**$9,500**

Recommendations / Implementation Assessments

Policy

R5.1   The District should review the current student transportation policy in conjunction with actual Transportation Department practices. Revisions to either the policy or actual practices should be made in order to reconcile transportation procedures and to maintain consistency.

District's 1999 Economy & Efficiency Plan Response

The District has contracted with the Ohio School Board Association to update the District transportation policy.

Implementation Status

ECCSD's transportation policy, adopted on January 10, 2000, states "The Board provides transportation for resident elementary students, kindergarten through grade eight, who live more than two miles from school and for all students with physical or mental disabilities which make walking impossible or unsafe. The transportation of high school students is optional."

However, during FY 2002-03, the District did not follow this policy and was transporting students as follows:

- All kindergarten students living more than one mile, and
- All students in grades 1-6 living more than two miles.

Implementation Assessment

The Board updated its transportation policy, but the District does not follow the policy. The director of pupil personnel services stated that ECCSD is currently transporting all students from grades kindergarten through six with door-to-door stops. This is due to the District's $100 million construction project and the closing of Kirk Middle School. The construction project has caused many students to attend schools more than two miles from their homes.

The director also stated that ECCSD is reviewing its transportation options for FY 2003-04. One plan is to move to "cluster" bus stops. This will require students to walk to the corner of their streets for pick-up. The District estimates it will be able to operate with five bus drivers using of cluster bus stops, rather than the 12 drivers the District currently

employs. Therefore, the District laid off six drivers for FY 2003-04. However, if the Transportation Department had implemented routing software (**R5.19**), it would have been able to run different scenarios to determine the most economical and efficient transportation routes consistent with the transportation policy.

Conclusion

*The District **partially implemented** this recommendation.* ECCSD should update its transportation policy to reflect current transportation practices. This is will be especially important once the school building construction project is complete.

Financial Implication

If the District can implement cluster bus stops with only five school bus drivers, it will save an estimated $250,000 based on FY 2002-03 salaries and benefits. ECCSD reduced the number of bus drivers from 12 to 6 for FY 2003-04.

State Funding

R5.2   The District should submit a corrected version of the FY1997-98 T-1 Form to Ohio Department of Education (ODE). A corrected T-1 Form may affect the State reimbursement since payments were based upon a cents-per-mile formula.

District's 1999 Economy & Efficiency Plan Response

A corrected version of the FY1997-98 T-1, T-2, and T-11 Forms were submitted to Department of Education in July 1999.

Implementation Status and Assessment

Corrected T-Forms were sent by ECCSD to ODE on June 22, 1999. In addition, the ODE Area Eight Office has stated there was not a financial adjustment required of ECCSD for transportation overpayments to the District due to the inaccurate FY1997-98 T-Forms.

Conclusion

*This recommendation has been **fully implemented**.*

R5.3   The District should review its policies and procedures related to Greater Cleveland Regional Transportation Authority (RTA) ticket sales. Currently, the District is not taking advantage of potential State reimbursement for expenditures associated with

the cost of transporting students on public transportation. The District should perform an analysis of RTA ticket sales, including a calculation of the average number of riders, and estimate of the total number of tickets sold in a year. Based on the results of the analysis, the District could reduce the ticket price charged to students. The costs associated with the reduction in ticket prices will initially be paid by the District, but subsequently, the District will be reimbursed through State foundation payments.

District's 1999 Economy & Efficiency Plan Response

The District does not sell tickets that are reimbursed by the State.

Implementation Status

The intent of the 1999 Performance Audit's recommendation was that the District could reduce the costs of RTA tickets it sells to high school students by the amount that ODE reimburses a school district for students who use public transportation. The reimbursement amount in 1999 was $87 per student, per school year. The District was selling the $5 five ride tickets for $5. If the District discounted the RTA tickets by the reimbursed amount, a student could save up to the $87 per year. There would have been no net financial effect to the District. Currently, ECCSD purchases two-ride tickets from RTA at $1.98 for each ticket and sells them to students or their parents for $2.00.

Implementation Assessment

The recommendation was not intended to save the District money. Rather, it was meant to reduce the cost to students. Although the District did not use ODE's public transportation reimbursement to reduce the price of RTA tickets sold to its students, it has saved money for its students by using RTA's student transportation program of two-ride tickets.

Conclusion

*ECCSD **fully implemented** this recommendation.* This recommendation has been fulfilled through the implementation of an alternative process.

R5.4   **The transportation secretary and the business manager should prepare a worksheet for the preparation of the State forms and reconcile the forms to the 4502 before the forms are submitted to ODE. In addition, the worksheet would also provide an audit trail. The T-11 Form corrections will affect the special needs reimbursement as a result of the overstatement of the 58 students and $53,392 in expenditures.**

District's 1999 Economy & Efficiency Plan Response

The Treasurer's Office generates a financial printout for the Transportation Department at the close of the year in order for the Department to complete the T-Forms. The corrected T-Forms have been resubmitted.

Implementation Status

It is difficult to reconstruct the documentation to verify the accuracy of the information on ECCSD's T-Forms because there is no audit trail or worksheet that explains how information was gathered by the District. For example, documents include copies of an assortment of budget account summaries, vendor payment printouts, a spreadsheet on salaries (with no supporting documentation) and hand calculations.

Implementation Assessment

In a review of transportation documents provided by the District, 100 percent of bus drivers' salaries are being charged to the T-Forms for home-to-school transportation which is effectively overstating ECCSD expenditures since not all bus drivers spend all of their working hours as bus drivers. The director of pupil personnel services stated that all bus drivers are paid for an eight hour day. The pay includes driving a regular school bus route and fieldtrips run during the school day. If the bus driver does not have a fieldtrip, the person then serves as a lunchroom aide.

Conclusion

*ECCSD **did not implement** this recommendation.* The District still maintains poor records of data used to construct the ODE T-Forms. Since the District's superintendent and treasurer must sign the T-Forms for certification, the District should be implementing measures to ensure their accuracy.

General Operations

R5.5 **Transportation personnel should be more involved in the Individualized Education Plan (IEP) process for all students who require special transportation services. This involvement would allow individuals who are experienced in transporting students with special needs to give their input into the IEP. ECCSD's cost per student on District buses for regular transportation is $884, as compared to special needs transportation which is $1,179. Since the cost of regular transportation is less than the cost of special needs transportation, the District would benefit by ensuring all students requiring special needs actually need the additional services. Also, the**

District transported 35 percent of its special needs students on contracted vehicles that had an average cost per student of $3,847.

District's 1999 Economy & Efficiency Plan Response

The Special Education Department determines the special transportation needs of the students. The Transportation Department provides the information needed to assign students according to their needs.

Implementation Status and Assessment

The Transportation Department works closely with the Special Education Department to provide special needs students with transportation. The Transportation Department receives a physician completed form, "Physician's Report on Student Needing Special Transportation to School, due to Physical/Mental Condition" from the special education coordinator. The director of pupil personnel services reviews the form and if he has questions concerning its validity, he calls the physician for clarification. When the director approves the form, it is sent to the transportation dispatcher for the proper vehicle assignment.

Conclusion

*This recommendation has been **fully implemented**.*

R5.6   The District should obtain formal bids or competitive quotes from vendors wishing to provide special needs transportation services to the District.

District's 1999 Economy & Efficiency Plan Response

The unique nature of transporting special education students through the services of three vendors was done in order to avoid the possibility of vendor failure to perform. Vendors agreed to a three-year freeze on rate increases and to maintain the 1998-99 rate schedules. This will be covered by the Purchasing Manual (**R2.25**).

Implementation Status

The ECCSD's Purchasing Manual, adopted in December 2000, requires that all contracts for materials and services in excess of $10,000 be bid. In the summer of 2002, four bids were received for the transportation of special education students, and an award was made on August 28, 2002 for FY 2002-03.

Implementation Assessment

The special education student transportation contract file contained the following information:

- Letter dated August 26, 2002 awarding the special education student transportation contract to Chambers Transportation (including bid);
- Final two vendor's cost analysis; and
- Bids from three other vendors.

ECCSD's special education student transportation contract bidding and award process followed its purchasing policy.

Conclusion

*This recommendation has been **fully implemented***. However, the District should file a copy of the award of contract Board resolution in the contract file. See the **contract management** section for further discussion on District contract processes.

Personnel

R5.7 ECCSD should create formal written procedures for the assignment of regular bus routes and the process for filling vacant routes as they occur. The creation of formal procedures should reduce the perception of an employee being given preferential treatment in bus route assignment. This can be accomplished by bidding all routes each year.

In addition, the District should negotiate in its future agreement the number of routes that could be bid before a vacant route can be filled by a substitute driver. For example, any bus route that becomes vacant prior to the close of the first semester will be posted and filled by bid and any vacancy created by the bid will be filled by a new hire.

District's 1999 Economy & Efficiency Plan Response

The transportation supervisor follows a fully written and defined seniority schedule to assign routes as negotiated.

Implementation Status

AOS reviewed the Ohio Association of Public School Employees (OAPSE) contract dated through June 30, 2004. The contract did not include a clause stipulating the use of

seniority in assigning bus routes. The director of pupil personnel services was not aware that the contract only covered seniority for fieldtrips and not for bus routes. The director stated he would work to develop a written and defined seniority schedule for the assignment of routes.

Implementation Assessment

During the course of the audit, the director created a document titled "East Cleveland City Schools, Transportation Department, Choosing Bus Routes through the Seniority Process." The document states that "senior drivers, meaning those bus drivers who have the most years driving school buses in the East Cleveland City School District, are given first choice at the beginning of the academic year in picking bus routes. All routes are put up for bid. The driver with the least amount of experience will be the last to pick his/her route after the bidding has proceeded through the seniority list."

Conclusion

*This recommendation has been **partially implemented**.* The intent of the recommendation was to document a procedure that already existed in practice. By having the procedure in writing, there will be no ambiguity in the decision making process of route selection.

R5.8   The District should negotiate changes in its future contracts with OAPSE which would require a medical certificate to be provided after an employee has been absent for three consecutive work days.

R5.9   ECCSD should negotiate in future agreements with OAPSE a clause that would provide for disciplinary action for the abuse of sick leave. The Transportation Department could utilize the Staff Member Absence Report forms to monitor excessive leave usage and pattern abuse. Detailed reviews of these affidavits by District management, including the immediate supervisor and personnel director, could provide information that could be used for disciplinary action.

District's 1999 Economy & Efficiency Plan Response

See Responses **3.18** and **3.19**.

Implementation Status and Assessment

When bus drivers call off from work, they must call both the dispatcher and the central office. Immediately upon return to work, the employee must fill out a Staff Member Absence Report form. The form is signed by the employee and the dispatcher. At the

end of the payroll period, the form is attached to the payroll time sheets and forwarded to the director of pupil personnel services who approved the leave. See **human resources R3.18** and **R3.19** for further discussion.

Conclusion

*This recommendation has **not been implemented.*** See **human resources R3.18** and **R3.19**

R5.10 **ECCSD should review the practice of not guaranteeing substitute drivers a minimum number of hours in a day or in a week. The District should perform an analysis to determine the average number of daily and weekly hours charged to routes by substitute bus drivers and/or by existing employees performing additional routes. Since the Transportation Department has significant attendance problems, it would be beneficial to begin to develop a good working relationship with available substitute bus drivers. Results of the analysis could be utilized in discussions with substitute drivers without the need to guarantee a certain number of hours per day or week.**

The District may want to consider an option that would encourage other OAPSE members to obtain a commercial driver's license, with a school bus certificate, who could also be used as substitute bus drivers.

District's 1999 Economy & Efficiency Plan Response

The issue of guaranteed hours will be investigated. The implementation of such will require collective bargaining negotiation.

Implementation Status and Assessment

The director of pupil personnel services stated that the District does not have a problem finding substitute bus drivers. ECCSD's Transportation Department currently has bus drivers that have been laid off. When laid-off bus drivers are called in to work, they receive the same eight hours of duty time as the regular bus driver. When a substitute bus driver, not on ECCSD lay-off status, is called in to work, the substitute is guaranteed four hours (two hours for the morning route and two hours for the afternoon route).   Also, since the District did not renew the contracts of six bus drivers for FY 2003-04, there will be additional possible substitutes.

Conclusion

*This recommendation has been **fully implemented**.*

R5.11 Vacation benefits are not normally offered to bus drivers and should be renegotiated in the next contract. If the vacation benefit were eliminated from the negotiated agreement between the District and the transportation employees, the District could reduce costs by approximately $5,000.

District's 1999 Economy & Efficiency Plan Response

Vacation is a negotiated item. This issue can be presented during the next negotiations. Estimated completion date is June 2001.

Implementation Status

The latest OAPSE agreement still allows for vacation benefits to be paid to part-time employees.

Implementation Assessment

Currently, ECCSD only has full-time employees who drive the District's school buses. These employees perform other duties such as lunchroom aides when they are not driving buses.

Conclusion

*ECCSD has **not implemented** this recommendation.* If ECCSD's Transportation Department returns to using part-time school bus drivers, the District, under the terms of the current OAPSE labor agreement, will have to pay vacation benefits. The District should renegotiate this clause in the contract with OAPSE so that District bus drivers who do not work full-time may not receive vacation benefits.

Bus Fleet and Maintenance

R5.12 The District should prepare a formal bus replacement plan. Included in this plan should be the number of buses to be replaced each fiscal year along with the average age at the time of replacement and the estimated cost of replacement. Further, the District should investigate and analyze the various potential funding methods for the bus purchases. The funding method(s) selected should be included in the bus replacement plan.

District's 1999 Economy & Efficiency Plan Response

The fact that District buses are housed inside a garage adds years to their useful life. The District has an unofficial plan for bus replacement, which takes into account the age of

the bus, the maintenance record of the bus, and whether it is gas or diesel. Over the last three or four years, the District has purchased four new buses, replacing the gas powered vehicles with diesel powered. The District has used the State School Bus Funding and General Fund monies to buy buses. The practice of the District is to avoid using debt to fund bus purchases. The District's unofficial plan will be replaced with an official written plan with financial implications.

Implementation Status

The director of pupil personnel services stated that ECCSD does not have a bus replacement plan. In addition, the treasurer stated that the District recently purchased three new school buses from the General Fund.

Implementation Assessment

The District purchased three new school buses during FY 2002-03. Purchase order number 124534, dated July 25, 2002, in the amount of $110,601 was for three school bus chassis and purchase order number 124535, dated July 25, 2002, in the amount of $46,443 was for three school bus bodies, for a total of $157,044. The purchases were made through the Ohio Schools Council, Cooperative School Bus Purchasing Program 2002-03. The buses were received in April 2003.

During the course of this audit, a bus replacement plan was discussed with the director of pupil personnel services. The director then created a bus replacement plan. However, the plan does not follow the recommended components discussed above.

Conclusion

*ECCSD **did not implement** this recommendation*. The District's current bus replacement schedule is not a long-range planning tool and, therefore, the does not fulfill the recommendation to create a bus replacement plan. The District should develop a formal and comprehensive bus replacement plan, which should be incorporated into the District's Capital Improvement Plan (**R4.2**).

R5.13 The Transportation Department should consider the following in its maintenance and repair operations:

- **The Transportation Department should utilize manuals, such as Chilton's Truck Repair Manual, to establish estimated times for maintenance repairs. The repair manual will provide the mechanic with valuable information that can aid in the decision to repair the vehicle in-house or through an outside vendor.**

- **The Transportation Department should consider the Pennzoil used oil chemical analysis program. The analysis provides suggested services during maintenance inspections based upon the amounts of iron, copper, fuel and antifreeze dilution detected in the oil sample.**

- **The Transportation Department should also consider a policy for monitoring and documenting parts and equipment failures that are considered safety defects or that have a high incidence of repair, replacement or failure. Documentation in the form of a written complaint, pictures and defective parts should be forwarded to the National Highway Transportation Safety Administration in addition to manufacturers, industry and education organizations.**

District's 1999 Economy & Efficiency Plan Response

The transportation mechanic maintains a complete set of factory specific manuals on each bus in operation. The mechanic determines whether to use inside or outside services based on cost of required for the repairs. The Pennzoil used oil chemical analysis program will be instituted at the next oil change in November 1999. The mechanic has made filings on safety defects in the past. The transportation mechanic will maintain training in this area.

Implementation Status

The ECCSD's Transportation Department mechanic maintains a library of manuals for the maintenance of the District's school buses. Included in the library are electrical, single speed axle, I-beam axel, chassis, brake, heavy fuel, tire, antilock braking, air brake factory manuals and parts manuals. Also included is a copy of the Ohio School Bus Construction Standards.

The District stated the decision to send repairs to an outside vendor usually falls into two categories: the repair requires special equipment or an outside vendor could get the school bus repaired and back into service faster. Repairs that are normally sent out include front-end alignments, engine overhauls and transmission rebuilds. The District further stated since the used oil analysis was not mandated, they stopped using the program when the supplier no longer included the analysis in the purchase cost of the oil.

Additionally, ECCSD's Transportation Department mechanic stated that they act on manufacturer recalls to prevent problems. When the District receives notice of recalls or defects, ECCSD acts accordingly. However, the Transportation Department does not have a policy for monitoring defective parts or equipment failures.

Implementation Assessment

ECCSD has not fulfilled the intent of recommendation, which was to improve the operations of its Transportation Department by being proactive in the maintenance of its school buses. The District has not implemented best practices and does not have mechanisms in place to assess key maintenance indicators.

Conclusion

*The recommendation was **not implemented**.* The District should use industry manuals to establish maintenance times, conduct used oil chemical analyses, and develop a policy for monitoring and documenting part and equipment failure.

R5.14 The District's Transportation Department could improve on its purchasing practices. All large single item purchases, or multiple purchase items such as tires and filters, that total large expenditures for the year, should go through a solicitation for price quotations. Written price quotations should then be attached to the purchase requisition before it is sent to the business manager for review.

District's 1999 Economy & Efficiency Plan Response

The transportation mechanic does general maintenance on all buses. At least six or seven vendors are called for pricing and the information is recorded in a maintenance manual. Lowest cost quotes from solicited vendors get the work. This matter will be covered in the Purchasing Manual referenced in **R2.25**.

Implementation Status and Assessment

ECCSD's transportation mechanic provided documentation showing that he checks prices for items over $500. The transportation mechanic also stated that he usually checks prices for items between $1 - $499, and purchases tires from the State contract. The director stated that the transportation mechanic follows ECCSD's purchasing guidelines and is limited to the amount indicated in blanket purchase orders. See the **financial systems** and **contract management** sections for further discussion regarding purchasing practices.

Conclusion

*This recommendation has been **fully implemented**.*

R5.15 The Transportation Department needs to analyze the fueling purchases to ensure that federal excise taxes are being deducted.

District's 1999 Economy & Efficiency Plan Response

The Transportation Department will only use vendors who provide the tax exemption. The Internal Revenue Service (IRS) Form 843 will be filed to obtain a refund, if possible. This matter will be covered in the Purchasing Manual referenced in **R2.25**.

Implementation Status

ECCSD's treasurer stated that the District did not file for a refund from the IRS for the estimated $2,000 payment of federal excise tax on school bus fuel purchases. The treasurer also stated that the District did not have on file a copy of a federal excise tax exemption certificate with its current fuel supplier. In addition, both the director and the current fuel vendor have confirmed that ECCSD is paying the federal excise tax on their purchases of school bus fuel.

Implementation Assessment

The District reported that they used $51,700 in school bus fuel on their FY 2002 ODE T - 2 Form. If the District paid an average of $1.65 per gallon, they would have used approximately 31,000 gallons of fuel. The current rate of the federal excise tax is $0.244 a gallon; therefore, the District will have paid an estimated $7,500 in federal excise tax in FY 2002-03.

Conclusion

*The District **did not implement** this recommendation.* ECCSD should file IRS Form 843 to request a refund for the payment of federal excise tax and file a tax exemption certificate with its vendor. The District should review its fuel bills for the previous two fiscal years to determine if they paid federal excise taxes during those years. If ECCSD determines that federal excise taxes were paid, they should file a claim for reimbursement.

Financial Implication

The District should recoup the estimated $9,500 spent on federal excise tax for fuel purchase from FY 1997-98 and FY 2002-03, as well as any additional federal excise tax on fuel that was paid by the District.

R5.16 The District should consider allocating gasoline and diesel fuel expenditures to both the Transportation and Maintenance Departments based on the monthly fuel summary sheets prepared by the Transportation Department.

District's 1999 Economy & Efficiency Plan Response

Allocating fueling costs between Transportation and Maintenance Departments will be done in fiscal year 1999-00.

Implementation Status and Assessment

ECCSD's Transportation Department created a "Transportation Department Gasoline Services" form. The header on the form states the following:

- Company name;
- Account number;
- Check number;
- Invoice date;
- Invoice number; and
- Check date.

The front of the pre-printed form is divided into sections with each section identified by its ECCSD bus number. The back of the form identifies other ECCSD vehicles and a fuel summary is at the bottom of the page. The summary includes: Total Transportation Fuel Amount, Total Maintenance Fuel Amount, Less Taxes, and Grand Total. The grand total line allows the Transportation Department to reconcile to the vendor's invoice.

Conclusion

*The recommendation has been **fully implemented**.* The District's "Transportation Department Gasoline Services" form allows the Transportation Department to have an audit trail for identifying school bus fuel purchases for its ODE T-2 Form.

Extra Runs

R5.17 The Transportation Department should create formal written procedures for the billing of extra runs. These procedures should include the criteria for billing at different rates and for total hours of service. Further, these procedures should be structured in a manner that would allow the District to recover the entire transportation cost associated with each fieldtrip. Presently, the Transportation Department's practices do not provide for the recovery of the entire transportation cost associated with the fieldtrip.

R5.18 The District should chargeback all fieldtrip costs to the appropriate departments. By charging back the appropriate department, the District will have the expenditures properly classified by building. In addition, by billing for fieldtrips that occur during the school day, the Transportation Department will lower its home-to-school transportation costs by charging part of the bus drivers' guaranteed hours.

District's 1999 Economy & Efficiency Plan Response

A new rate was established effective September 1999. It has been the District's policy to only charge for before and after school fieldtrips.

Implementation Status

On September 13, 1999, the Board adopted a resolution increasing the fieldtrip chargeback rate from $30 an hour to $50 an hour.

The District does not chargeback for educational fieldtrips taken during the day. However, the director of pupil personnel services stated that ECCSD does chargeback for sporting events and before/after school hour fieldtrips, and provided a copy of the sport school bus travel reservation form. However, a formal policy has not been developed.

Implementation Assessment

The District has not fulfilled the intention of the recommendation, which was to keep the field trip chargeback rate up-to-date and to develop a formal written procedure detailing how the chargeback rate should be calculated. The last update of the chargeback rate was in September 1999. Therefore, the District has not taken into consideration the increases in driver salaries, benefits and operating expenses that occurred during the last four years. The District's only written procedure on fieldtrips is outlined in the September 1999 Board resolution increasing the fieldtrip chargeback rate.

As stated in **R5.4**, District bus drivers are paid for an eight hour day, so the District does not chargeback fieldtrips completed during the school day. However, the District is incorrectly charging all of the driver's time and other costs to ODE's T-2 Form which should only include home-to-school transportation costs and not fieldtrip or lunchroom aide costs.

Conclusion

*ECCSD **did not implement** these recommendations*. The District should update its chargeback rate. The chargeback amount for all educational fieldtrips and sports

transportation should be billed to the appropriate department.   Finally, the Transportation Department should develop formal procedures detailing the methodology for calculating the chargeback rate and should use the procedures to reassess the rate annually. When necessary, the Board should approve any adjustments to the chargeback rate to ensure that the rate is current and covers fieldtrip costs.

Technology

R5.19 The District should consider the use of technology to better manage the Transportation Department. One option would be to consider using transportation routing software. Another software consideration is boundary planning/enrollment analysis. Other software could include a custom report writer which would allow the user to generate a wide variety of reports in minutes instead of hours or days. Besides the Transportation Department, the custom report writer could be used by administrators, principals and attendance personnel.

District's 1999 Economy & Efficiency Plan Response

In July 1999, the District purchased a transportation software package from Versa Trans by Creighton Manning. Presently, the Transportation Department is going through the data set-up phase.

Implementation Status

The District ordered VersaTrans routing software on July 22, 1999 for $19,950 which included $3,500 for training. However, to date, the District has not implemented the routing software.

Implementation Assessment

ECCSD's Transportation Department requested authorization to purchase VersaTrans transportation routing software from Creighton Manning. The District's requisition number SC095-99, dated July 1, 1999 included $16,450 for VersaTrans software and $3,500 for training, for a total of $19,950. The District was subsequently invoiced, and paid Creighton Manning for the software and training.

The District also provided a copy of purchase order number 108714, dated January 1, 2000, in the amount of $11,725 to Creighton Manning for "software routing package for transportation department." The District has not been able to provide documentation to support the purchase order. Without the supporting documentation, AOS cannot determine the purpose of this purchase order.

The director of pupil personnel services stated that the previous transportation secretary was trained on VersaTrans software, but only worked on the implementation of the software when she had extra time. The transportation secretary was transferred to Shaw High School in July 2002, and the student bus route data still has not been entered.

Conclusion

*ECCSD **partially implemented** this recommendation.* The District should implement its VersaTrans software program to effectively plan and route its bus transportation.

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Technology

Summary

The East Cleveland City School District (ECCSD) has fully implemented 6 (21 percent) of the 27 pertinent recommendations from the 1999 Performance Audit. Two of the original 29 recommendations are no longer applicable (**R6.14** and **R6.27**). The remaining recommendations have been partially implemented or were not implemented. Several of the remaining recommendations have remained unimplemented because two major issues were not addressed by the District:

- ECCSD does not have a cabinet level position in charge of overall technology needs, such as a chief information officer (CIO). A technology coordinator, who reports to three cabinet level positions, does not have sole responsibility over technology purchasing or policy development. These two functions are essential to efficient technology coordination.

- A technology oversight steering committee was recommended in the 1999 Performance Audit to address technology priorities, provide recommendations to the Board and to review progress of technology projects. ECCSD has not had an active steering committee since 2000. A steering committee is important to managing the District's technology priorities; monitoring projects; recommending data retention priorities and processes; evaluating and advising on grant opportunities; researching technology solutions; and evaluating activities of the Technology Services Department in connection with the District's Continuous Improvement Plan (CIP).

By implementing these organizational changes, ECCSD would be better able to address its remaining technology issues. ECCSD must ensure that sufficient authority rests with the CIO and that the CIO reports to the superintendent. Likewise, the CIO should be able to formally monitor and implement procedures for obtaining the most appropriate technology purchases within the District (**R6.7**); develop and monitor written technical standards for hardware, network and software usage (**R6.8**); develop a comprehensive computer use policy (**R6.9**); and work with the treasurer and purchasing agent in developing coding procedures to properly track District-wide technology-related purchases (**R6.20**).

A technology oversight steering committee would be able to support the CIO in his or her responsibilities, as well as provide insight and direction to other functions: such as researching more advanced food service software (**R6.21**); developing the Intranet to better connect the District (**R6.24**); researching grant opportunities and developing requests for funding (**R6.25**);

and prioritizing its data retention needs and researching appropriate retention methods to ensure complete, and yet cost-effective, data retention (**R6.17**).

Although ECCSD has implemented some of the recommendations stated in the 1999 Performance Audit and is currently taking steps to complete implementation in some areas, it has not yet instituted the bodies of authority that are necessary for managing an efficient Technology Services Department. Without these elements serving as a foundation for its technology programs, the District will be unable to maintain effective control over its technology program.

Recommendations / Implementation Assessments

Organization and Staffing

R6.1   East Cleveland City School District should formally charge an individual with the overall responsibility for implementing and managing the District's technology. This individual should be responsible for all technology throughout the District, including administrative and institutional systems. This individual's responsibilities should include the following:

- **Develop, evaluate and update the District's strategic technology plan**
- **Assist in the development and administration of the technology budget**
- **Assist in the District's acquisition, use and maintenance of technology hardware and software**
- **Manage the District's network system**
- **Assist in grant planning and proposal writing**
- **Provide technical assistance to District personnel regarding technology**
- **Coordinate with schools in the use of computers**
- **Establish ongoing and systematic professional growth opportunities for staff in computer education**

District's 1999 Economy & Efficiency Plan Response

The District has formally charged the director of technology with the overall responsibility of implementing and managing the District's computer technology. The position is responsible for all technology throughout the District, including administrative and instructional systems. This position reports directly to the superintendent.

Implementation Status

The director of technology position has been replaced by the technology coordinator, who reports to the superintendent, the director of communications and the director of curriculum and instruction. The technology coordinator is responsible for:

- Coordinating the management of instructional and non-instructional school computer networks;
- Training users in applications on the network;
- Coordinating activities of outside vendors, consultants and trainers;
- Maintaining and managing technology budgets and grant funding;
- Serving as the point-person and spokesperson for the department;
- Assisting in the acquisition, use and maintenance of technology hardware;

- Overseeing the District's network system by supervising the network administrator;
- Assisting in grant planning and proposal writing;
- Providing assistance to personnel regarding technology; and
- Establishing training opportunities for staff.

The technology coordinator supervises the Technology Services Department staff that consists of a four computer specialists (field workers), the network administrator and a secretary.

Implementation Assessment

The technology coordinator position does not have the authority to develop, update and evaluate the District's strategic planning for technology, implement policy (see **R6.8**) or to authorize technology purchases. Although the current technology coordinator spearheads these efforts, these functions are not outlined within the position's job description and the position must coordinate these activities with the superintendent, the director of communications and the director of curriculum and instruction. When the director of technology position was in place, these responsibilities were established within the position. However, the technology coordinator position does not solely hold these responsibilities, nor do her superiors, and these decision-making functions have not occurred, since they are diffused throughout the District's administration. *Control Objectives for Information and Related Technology* (COBIT), a publication of the IT Governance Institute, recommends that all personnel have sufficient authority to exercise the role and responsibility assigned to them. COBIT asserts that this is essential to efficient and effective IT operations within organizations. The technology coordinator, does not hold an essential management role regarding technology purchases, planning or policy.

Without a responsible party exercising authority over IT policy, purchases, and planning, the District is unable to exercise adequate control over these key functions.

Conclusion

*The District has **partially implemented** the recommendation*. While the District has identified a leader for technology operations, the technology coordinator position does not have the authority to manage important technology aspects within the District. ECCSD should replace the technology coordinator with a CIO cabinet level position that reports directly to the superintendent. The CIO should coordinate and oversee all activities related to information technology including strategic planning (**R6.5**), policy development and implementation, and research and acquisition of technological purchases for the District.

R6.2   ECCSD should train an individual to function as a backup for the administrator of data processing with regard to Education Management Information System (EMIS)-related duties.

District's 1999 Economy & Efficiency Plan Response

The District is currently developing a plan to delegate and/or shadow the administrator of data processing's work responsibilities. It is the intent of the District to train an individual to function as a back-up for the Administrator of Data Processing with regard to EMIS-related duties. A position was implemented in 2000 to support the EMIS Department with gathering and processing student data.

Implementation Status

ECCSD has named the registrar at Shaw High School as the EMIS coordinator's back-up. This position has been the back-up coordinator since the 1999 Performance Audit. The EMIS coordinator keeps the registrar informed concerning EMIS issues, challenges and changes. According to the EMIS coordinator, there is a tremendous amount of data to keep track of, especially given ECCSD's transient rate (currently 42 percent). The EMIS coordinator believes that even an experienced EMIS coordinator would have difficulty adjusting to the volume of data. However, if something were to make the current coordinator unable to fulfill his job duties, he believes the registrar would be able to effectively maintain the data on the EMIS system. This is due to their long-term and consistent working relationship on EMIS-related issues.

The registrar's position description does not reference him serving as the EMIS coordinator back-up, thus limiting the District's ability to monitor or evaluate the registrar's (or other back up) progress in learning the EMIS system. If the position description and official duties were to include maintaining competence in EMIS-related skills, the back-up individual's capabilities could be better monitored. Understanding the capabilities of the EMIS back-up is critical to ensuring continued functionality in the event of a change in EMIS personnel.

Conclusion

*The District has **partially implemented** this recommendation.* ECCSD has appointed and trained an individual to serve as the back-up for the EMIS coordinator's duties, but the duties are not formalized in the position description. ECCSD should formalize these responsibilities in the job description of the employee identified as the back-up.

R6.3   ECCSD should revise the technical position descriptions so the duties and required knowledge/skills more accurately reflect basic functions needed to support its

technical operations. In determining these items, the District should also take into consideration what future activities will be needed to maintain the new WAN and State software.

District's 1999 Economy & Efficiency Plan Response

The District has modified the technical job descriptions in the Technology Services Department to reflect the current responsibilities for each person. The updated descriptions will provide the District with a better tool to evaluate employee job performance.

Implementation Status

In May 2001, the District revised its organization to implement a Technology Services Department that includes a technology coordinator, a network administrator, a computer specialist II and three computer specialists I. Also in May 2001, position descriptions were developed for each position within the Department. The District technology coordinator and network administrator positions have not been updated since May 2001.

Implementation Assessment

The position descriptions reflect the revised technical positions and provide information on distinct functions, specific duties, responsibilities and qualifications for each position. However, the positions for the technology coordinator and the network administrator have not been revised since their development. Also, some reporting structures are unclear. Position descriptions need to be clearly defined and kept up-to-date in order to help employees understand the parameters of their jobs and the expectations associated with their positions (see **R3.28** in **human resources**).

Conclusion

*The District has **partially implemented** this recommendation.* While the Technology Services Department has made changes to its position descriptions, they are not up to date. With support from human resources, the technology coordinator and the director of communications should revise the Technology Services Department's position descriptions annually. Revisions should ensure that the descriptions reflect the actual duties of employees, as well as the frequent changes within the field and the necessary skills and qualifications. Furthermore, clear reporting structures should be developed and reflected in each of the position descriptions.

R6.4   ECCSD should prepare an analysis of the make-up and skill level of the District's computer user population using a rational methodology as well as prepare a

companion analysis of the District's hardware and software to assess the appropriate staffing level that would provide adequate technical support. The District should perform this analysis to ascertain whether the combination of existing staff, in conjunction with the supplemental contracts for building level support, is adequate to provide needed technical support.

District's 1999 Economy & Efficiency Plan Response

The District has determined that its current staffing level of four technicians is adequate to service the hardware and software support needs of the District. In addition, it has entered into a service maintenance agreement with MicroAge to provide supplemental service and support regarding technical service and support issues. The District will continually evaluate the effectiveness of the current staffing levels to determine if changes are necessary.

Implementation Status

The District had a computer needs assessment prepared by a professor from Kent State University in December 1997. The assessment provided the following:

- Current usage of computers for instructional and administrative purposes;
- Existing and future needs for computers;
- An analysis depicting the gap between the current status and the desired status of computer use within the school District; and
- Recommendations on how to bridge this gap.

In addition, the Biennial Education Technology Assessment (BETA) for presented by the Ohio School Net provided updated information in 2002, including:

- Hardware and software capability of each building in the District;
- Professional skills and knowledge of the teaching faculty; and
- The level of technological support from the District's professional and technology service staff.

Since the 1997 assessment, ECCSD has created a Technology Services Department that includes help desk, field technology, and training and monitoring services. ECCSD has also contracted with its data acquisition site, LNOCA (Lakeshore Northeast Ohio Computer Association), to provide network services and financial and personnel packages.

Implementation Assessment

The District was encouraged to prepare an analysis of the make-up and skill level of its computer user population and its hardware and software needs. The BETA report provides an assessment of network, hardware and software inventories as well as survey results from District teachers and employees. However, ECCSD did not analyze the data that was obtained by the BETA survey or consider the impact of LNOCA's services on the staffing needs of the Technology Services Department.

Conclusion

*The District has **partially implemented** this recommendation.* To comply fully with what was recommended in 1999, ECCSD should apply a rational methodology to the BETA data in order to determine the appropriateness of technology equipment and staffing levels. The methodology should assess the skill gaps among students, teachers and administrators that impact the District's ability to meet its goals and objectives. Additionally, it should use the staffing levels of neighboring school districts that have similar outside support (through LNOCA or another A-site), to help it determine appropriate staffing levels. With the staffing reductions that took place for FY 2003-04, the level of technical support needed will be reduced. These staffing reductions need to be incorporated into the study methodology.

Overall Planning Management

R6.5   ECCSD should develop a comprehensive long-term strategic technology plan that incorporates business operations and instructional systems. The plan should describe the District's long-term objectives and how technical staff, funding and resources will help it achieve these long-term objectives. The technology plan should be consistent with, and support, the District-wide strategic plan. The plan should also be presented to District management who must fully support the objectives and goals stated within the plan and ensure that adequate funding is provided. In addition, the District should establish an annual review and revision process that will allow the strategic plan to evolve with changes in the District, the educational community and technology.

ECCSD should ensure that all other technology areas are incorporated into the strategic technology plan, and the following steps should be taken to supplement the District's existing planning process:

- **Identify and analyze the District's business and educational environment that the strategic technology plan must support.**

- **Define key business goals and objectives of the District and establish measurable success factors for those business and educational areas.**
- **Evaluate how existing hardware and software applications support the long-term goals and objectives of the District.**
- **Research significant industry trends relating to technology and educational institutions or other public sector organizations.**
- **Determine what technology is needed to help the District achieve its long-term goals and objectives.**
- **Identify user requirements for student information and instructional software applications as well as e-mail and Internet software.**
- **Develop an implementation plan.**

The result of this process should be a step-by-step action plan detailing how the District expects to meet its long-term goals and objectives given the existing technical architecture. The strategic technology plan should contain the following elements:

- **A timetable;**
- **Funding requirements and funding sources;**
- **Individuals responsible for implementation;**
- **Estimated resource requirements to implement actions including consultants, contractors or in-house staffing;**
- **Staff development;**
- **Expected benefits; and**
- **Benchmarks to determine progress in meeting stated goals.**

The timetable should be realistic in estimating the District's commitment to the implementation of new technologies. The strategic plan and the budget should also address the issue of upgrades and future replacement of computer equipment as well as software and associated staff development. Upgrades and replacements are important issues that the District should incorporate into its planning and budgeting process.

District's 1999 Economy & Efficiency Plan Response

ECCSD is incorporating a plan developed by an outside consultant at Kent State University which outlines a specific technological implementation plan for the District. The District will incorporate the consultant's recommendations with the recommendation from the technology committee, to construct an overall long-range strategic plan. The plan is intended to complement the District-wide Continuous Improvement Plan (CIP) and will include technical staffing, funding and computer resource content.

Implementation Status and Assessment

The District recently developed a District-wide Continuous Improvement Plan (CIP) that includes a technology section. The technology section has 18 tasks that are identified by a letter (A through R). Each task is listed with responsibilities, resources, timelines and a process indicator. Attached to the technology section is an outcomes-impact matrix that is updated quarterly. That matrix lists six descriptions for monitoring progress that include the following:

- short-term results (up to one year);
- medium-term results (one to two years)
- long-term impacts of the project (up to five years);
- the measurement tools and data gathering instruments used to assess the impact;
- any analysis results; and
- the action that should be taken.

The CIP technology section has listed 18 separate tasks that are intended to support the District's Goal I of improving "student performance as measured by (the) Proficiency Test and the District Comprehensive Assessment Program." Goal I states its intention to achieve an "average of 2.5 percent [annual] increase in performance…in all areas by 12.5 percent per year." Although the strategy is for "technology to become an integral component of intervention," the District has not implemented a means to identify the funding and resource requirements or the staff development that would be necessary to ensure achievement of the goal.

During the course of the performance audit, the District developed comprehensive three-year Technology Plan that outlined the planning process; assessed the current status of educational technology; reviewed goals and identified strategies; developed action plans and identified support and staffing; and determined a budget and identified funding sources.

Conclusion

*ECCSD has **partially implemented** this recommendation.* The District has developed a comprehensive technology plan as recommended in the 1999 Performance Audit. Although the plan has a column for estimated costs, no potential expenditures have been identified for the action plans.

While the District has created a technology plan to align with the District's CIP, it is not comprehensive. It does not include assessments of funding and resource requirements for implementing the tasks or the staff-development and training that would be necessary for implementation. ECCSD should follow the recommendations of the 1999 Performance

Audit and assess the progress of the plan. In addition to implementing technology into its curriculum objectives, ECCSD should make sure that it implements the original recommendation by linking the following objectives to its CIP:

- Define the key business goals and objectives of the District and establish measurable success factors for those business areas.

- Evaluate how existing hardware and software applications support the long-term goals and objectives of the District. Research significant industry trends relating to technology and educational institutions or other public sector organizations.

- Determine what technology is needed to help the District achieve its long-term goals and objectives. Identify user requirements for student information and instructional software applications as well as e-mail and Internet software.

- Assess funding, resource and staff-development/training requirements for each of the CIP goals, objectives and tasks. Survey needs and research of the cost of implementing and maintaining planned software, hardware and network needs.

R6.6   ECCSD should create a technology steering committee. The committee should consist of individuals from various functional areas so that representation cuts across the District. This representation helps assure that technology activities are coordinated and consistent with the District's overall goals and objectives. Minutes of meetings should also be maintained. The District should also consider inviting community, business and technology leaders to be part of the technology representation to help assure that the District's technology expenditures and activities are consistent and support the District's overall goals and objectives.

The functions of the technology steering committee should include the following:

- **Set technology priorities and rank technology projects accordingly.**
- **Evaluate the justification for new initiatives to determine if the project is consistent with the District's master technology plan and priorities.**
- **Provide recommendations to executive management and the Board of Education.**
- **Review progress of technology projects.**
- **Help resolve significant organizational issues impending project progress.**
- **Assess implementation of new technology. For example, determine whether the technology is working as intended or determine whether adequate staff development/training was provided.**
- **Establish and approve technology standards.**

- **Ensure that the implementation of instructional technology is consistent and compatible with business and administrative goals.**
- **Oversee the implementation, progress and effectiveness of the SchoolNet Plus program at the District and other significant technology grants.**

The technology steering committee should meet on a periodic basis, perhaps quarterly. The District should make a concerted effort to ensure that this committee remains active and is involved in its strategic technology plan implementation. The committee members represent valuable resources that the District can utilize to evaluate proposals. For example, subcommittees can be formed by the steering committee to research possible technology solutions, identify specific hardware and software that would meet the needs of the department or building, and then make recommendations.

The technology steering committee needs to take a strong role in the District's technology future. Active oversight is necessary to ensure that appropriate technology is implemented in an efficient and cost-effective manner. Without this oversight, there is a risk that the District could continue to experience situations where it has paid for software that has not been used. Such situations result in inefficient, even wasteful, use of funds.

District's 1999 Economy & Efficiency Plan Response

ECCSD has formed a technology committee. It will meet once a month to discuss current technology matters, planning initiatives and District goals. The first meeting for the new school year is scheduled on October 4, 1999.

Implementation Status

The most recent minutes of the technology committee were from February 2000. From October 1999 to February 2000, the committee met on a monthly basis to address technology equipment issues. The topics discussed included training, usage policies, purchasing, developing building plans for technology and challenges with particular equipment such as printers and individual computers. However, participation in the technology committee appears to have been limited to the "building champions," teachers or administrators who served as proponents for technological advancement in each of the individual school buildings. According to the technology coordinator, many of the building champions are still in the buildings as teachers or other employees, but none of them have been provided with extra time to exercise those duties. The technology committee has not met since February 2000.

Implementation Assessment

The technology steering committee is not active. According to the technology coordinator, there have been several evolutions of the committee, but from the review of minutes it does not appear that there has been representation from across the various functional areas in the District. The topics addressed were limited to updates on equipment installations, procedures for service requests and purchasing, technology purchases and installation planning by building, and training. One important recommendation from the 1999 Performance Audit that was promoted by the technology committee was a requirement that the Technology Services Department have authority to review all technology-related purchases. However, this never became a District policy, and technology-related purchases can still officially go through the approval system without oversight for compatibility or effectiveness by the Technology Services Department.

According to COBIT, an organization's senior management should appoint a planning or steering committee to oversee the information technology function and its activities. Committee members should include representatives from senior management, managers of the majority of users, and the technology department. The committee should meet regularly and report to senior management their progress and concerns. Currently, ECCSD's technology committee does not meet, does not have membership from its senior management, and does not have the requisite goals and objectives in place that would enable it to provide recommendations and evaluative updates to senior management.

Conclusion

The District has **not implemented** *this recommendation*. With the exception of providing recommendations to the Board, the committee did not implement any of the activities outlined in the recommendation. Furthermore, the committee has disbanded. ECCSD should reestablish the technology committee and ensure that its representatives are from various disciplines and areas of the District to maximize its collective expertise. The committee should use the activities suggested in **R6.5** to establish goals, objectives and tasks to define and support the District's CIP section for technology. Furthermore, ECCSD should follow the recommendations of COBIT and ensure that the steering committee has the authority from senior management to oversee all information technology functions and its activities. Committee members should include representatives from senior management, building managers, supervisors, and the Technology Department. The committee should meet regularly and report to senior management their progress and concerns.

R6.7   ECCSD should establish formal procedures to ensure that the District is receiving the lowest possible prices on its technology purchases. The procedures could include the following:

- **Department heads and building administrators should provide their hardware and software needs to the technology steering committee prior to the start of the fiscal year.**

- **The technology committee steering committee should then prioritize the needs of the department heads and the building administrators.**

- **The technology steering committee and the director of technology should then determine if the hardware or software requested is compatible with the overall technology goals and objectives of the District.**

- **The director of technology should then compile a summary of the hardware and software needed during the upcoming fiscal year.**

- **The director of technology should use the summary to coordinate volume purchases of the hardware and software.**

The District should also explore the availability of vendor incentive programs, such as trade-in allowances that could provide meaningful savings on replacement equipment and software.

District's 1999 Economy & Efficiency Plan Response

ECCSD uses vendors listed on the State of Ohio term contracts when purchasing computer equipment. This will better ensure that the District receives the lowest prices. The District also takes advantage of vendor specials and volume purchase, whenever possible, to secure lower than normal costs. The technology committee will review and prioritize the District hardware and software needs.

Implementation Status

The technology coordinator described the District's purchasing process and appeared to be knowledgeable about the District's purchasing policies. The technology coordinator stated specific rules, including receiving quotes from at least three vendors for purchases totaling between $250 and $1,000. The technology coordinator was also able to explain, without difficulty, the new process of verification with the Financial Planning and Supervision Commission, indicating knowledge of the system prior to their oversight and its present situation after the change. Furthermore, the purchasing agent is responsible for

reviewing all the technology purchases for accountability, thereby providing another level of accountability and oversight.

Implementation Assessment

The ECCSD technology coordinator understands the purchasing process and administers the process without difficulty. However, since the Financial Planning and Supervision Commission is currently reviewing all purchases, there was no way for Auditor of State's Office staff to test reliably whether the Department, or its overseeing purchasing agent, was practicing the purchasing policies prior to the Commission's involvement to determine whether the policies were consistently practiced to ensure that the lowest and best bids were being sought.

Because the District never opted to implement the recommendation of using an oversight committee for purchase approval, it never benefited from a cross-District approach to developing technology priorities. Furthermore, because ECCSD did not opt to have the technology coordinator approve all the purchasing (with or without a technology oversight committee), the District does not have that oversight level to prevent purchases that are incompatible with other technological purchases or planned purchases; nor does the District benefit from coordinated bulk purchasing.

Conclusion

*The District **partially implemented** this recommendation*. ECCSD did not implement a purchasing policy that included review by a technology oversight committee. However, the Technology Services Department appears to be in compliance with the District's purchasing policies. ECCSD should ensure that its purchasing policies are being practiced consistently by reviewing every purchase for compliance with each of its rules. The District should also implement this recommendation and others in this section to ensure coordination and oversight of technology purchases.

R6.8 **The District should develop and enforce written technical standards for hardware, network operating systems and software such as office automation packages and e-mail. The standards should be reviewed and approved by the technology steering committee. Because of the rapidly changing nature of technology, the District should review and update the standards on a quarterly basis. These standards should be followed by all schools and departments within the District, with the exception of necessary differences caused by a particular school or Department's unique needs. The technology steering committee should review and approve requests for exceptions to the standards.**

District's 1999 Economy & Efficiency Plan Response

ECCSD is in the process of developing written standards for hardware and software. Estimated completion date is August 2000.

Implementation Status

Currently, ECCSD has opted for one e-mail provider and has implemented Microsoft Office 97 and 2000 across the District. However, the District has not implemented a policy to choose one e-mail, word-processing and other software packages across the District to ensure consistency.

Implementation Assessment

ECCSD has not implemented a policy for hardware and software standards to ensure that all its purchases are consistent with the existing inventory and meet the needs of the District. Without such a standard, an oversight committee and high-ranking officials to ensure it is followed (see **R6.1** and **R6.6**), the District is at risk of making purchases that are not a good use of funds allotted to technology purchases.

Conclusion

*ECCSD has **not implemented** this recommendation.* The technology coordinator (or chief information officer, see **R6.1**), and her supervisors should formally determine which software and hardware the District will use and make it standard policy through Board resolution. ECCSD should fully implement this recommendation to ensure that it spends its technology funds wisely.

R6.9 **ECCSD should develop a comprehensive computer use policy and have it adopted by the Board that addresses the use of District equipment by staff and students. Some topics to be addressed would include the following:**

- **Personal use of District equipment**
- **System security and management of passwords**
- **Security of District equipment**
- **Copyright laws**
- **Sabotage or vandalism**
- **Employment termination and cancellation of network privileges**
- **Software license violations**

A comprehensive policy will make District staff aware of the potential dangers computer equipment and software is exposed to in a network environment and minimize the possible abuse of network privileges.

District's 1999 Economy & Efficiency Plan Response

ECCSD is developing written user policies for administrative and instructional staff members. Please note that the District has implemented a student computer use policy. (See R2.29)

Implementation Status

The Technology Services Department developed policies regarding acceptable electronic mail (e-mail) use and electronic technology (Internet) that were approved by the ECCSD Board. Several other policies, including use of District accounts, computers and network equipment; use and purchase of software; and privacy, confidentiality and licensing have been developed, but not approved by the Board. The policies were written to be applicable to students, faculty and staff.

Implementation Assessment

The ECCSD has prepared policies that address all of recommended topics, but only a portion of the policies have been presented to and approved by the Board. According to the technology coordinator, guidelines for appropriate computer-use were presented to the superintendent's cabinet level staff. However, the teachers' union was not receptive to these guidelines. To prevent any more difficulties, the coordinator decided to have each policy reviewed by several levels in the administration, as well as the teachers' union representative. However, guidelines had not been reviewed by all levels. Additionally, there are no Board-approved policies that address equipment use (beyond internet and e-mail), system security, equipment security, copyright and licensure laws, and sabotage/vandalism.

The SysAdmin, Audit, Network, Security (SANS) Institute has developed various recommended practices, including use policies. According to SANS, a complete acceptable use policy should include the following:

- **Overview:** Purpose of the policy and assurances that the policy is not to impose restrictions that are contrary to the organizational culture or openness, trust, and integrity. Rather, it presents the organization's commitment to protect the employees, partners and the company from illegal or damaging actions by individuals, knowingly or unknowingly. The overview should also summarize the equipment that the policy addresses, such as computer equipment, software,

operating systems, storage media, network accounts providing electronic mail, WWW browsing and FTP (file transfer protocol), and remind users that all such equipment and software capability is the property of the organization.

- **Purpose:** Acceptable use is important to prevent inappropriate exposure to risks, including virus attacks, compromises of network systems and services, and legal issues.

- **Scope:** Describe whom the policy applies, such as employees, contractors, consultants, temporary employees, and other workers, including all personnel affiliated with third parties.

- **Policy:** General use and ownership, stating that users should be aware that the data they create remains the property of the organization and confidentiality cannot be guaranteed; that employees are responsible for exercising good judgment regarding the reasonableness of personal use and should also adhere to any other guidelines of the organization regarding said usage; that sensitive information should be encrypted; and that any traffic may be, for security and maintenance purposes, be monitored; and that the organization reserves the right to audit networks and systems on a period basis to ensure compliance.

- **Security and Proprietary Information:** Explains that some information on the Internet/Intranet/Extranet-related system should be classified as either confidential or not confidential and be consistent with human resource and other policies. This section should also outline policies on keeping passwords secure; not sharing accounts; all work stations should have pass-word protected screen savers and that proper disclaimers on postings should be applied.

- **Unacceptable Use:** Unacceptable activities, including, but not limited to anything that is illegal or disrupts the course of an employee's legitimate job responsibilities.

- **System and Network Activities:** Strict prohibitions that should include, but not be limited to violating copyright laws, trade secrets, patents, etc.; exporting software, technical information, encryption software or technology; introducing malicious software (viruses); revealing your account password or allowing others to use it (including family and other household members); actively procuring or transmitting material that is in violation of workplace sexual harassment or hostile workplace laws; effecting security breaches; circumventing security; providing information about employees to parties outside the organization.

- **E-mail and Communications Activities:** Prohibited activities include, but are not limited to sending unsolicited "junk mail" or other advertising material; any form of harassment via e-mail, telephone or pager; unauthorized use or forging of e-mail header information; solicitation of e-mail for any other e-mail address, other than that of the poster's account, with the intent to harass or collect replied; creating "chain letters" or any other "pyramid" schemes of any type; and posting non-business-related messages to large numbers of newsgroups.

- **Enforcement:** Warns employees that any employee found to be violating this policy may be subject to disciplinary action, up to and including termination of employment and prosecution.

- **Definitions:** Includes any language in the policy that is not necessary common knowledge. For example, "Spam" refers to unauthorized and/or unsolicited electronic mass mailings.

- **Revision History:** Provides explanations of any policy changes over time.

Without comprehensive and well-written use policies, ECCSD is putting itself at risk for inappropriate use of its equipment.

Conclusion

*The District has **partially implemented** this recommendation.* To fully implement the standard, ECCSD should present a comprehensive use policy for administrative and instructional staff and other users to the Board. The Technology Services Department has prepared policies that address most of the recommendations from the 1999 Performance Audit. These should be updated and presented to the Board for approval, then disseminated to all employees and students through personnel and student handbooks. All students and employees should be held responsible for reading and understanding the documents and should sign a document attesting to that responsibility.

R6.10 ECCSD should design a spreadsheet template and develop a comprehensive list of software licenses. The design of a spreadsheet template that is used throughout the District will enable the aggregation of license information into a comprehensive list. In lieu of a separate spreadsheet template, the District could incorporate this software license information into its comprehensive software listing (as discussed in R6.19). A comprehensive listing will allow for easier tracking of licenses, annual District-wide inventories of licenses and assist in software purchase decisions. These efforts will help ensure that appropriate individuals are using authorized software within the District because use of unauthorized software is illegal.

In addition, the District should perform an annual physical inventory of the software licenses to ensure that the software is still on the assigned hardware and that unauthorized software is not being used within the District. The physical inventory should be performed by the technology department staff because these individuals possess the knowledge to perform such an inventory.

District's 1999 Economy & Efficiency Plan Response

ECCSD is currently converting all paper reports listing software licenses into an electronic format. This information will be posted in a shared location on a District file server that administrators can review.

Currently Remote Management Software VNC is in place. Purchase of another software package is pending.

Implementation Status

The technology coordinator provided the Auditor of State's Office an updated inventory on compact disc. It included grant-funded project inventories and an inventory of the Microsoft licenses. It was updated on March 27, 2003 and appears to have been regularly updated. The inventory includes the license number, the authorization number, customer name, location, order date, agreement start and end-dates, part number, description and quantity.

The inventory of all hardware and software is currently done manually. Technology Services Department staff members walk through each of the buildings and examine each piece of equipment. However, the Technology Services Department has recently purchased an inventory software package that can track equipment by license code. The software tells the network administrator a piece of equipment's IP address (hardware's building location), the serial number, the configuration and what kind of software applications are on the hard-drive.

Implementation Assessment

The compact disc of software inventory was comprehensive and easily accessed. The inventory included all recommended information including the date of the inventory. It should be helpful in keeping track of software licenses, the date of purchase, the hardware on which it resides and the location of the hardware. ECCSD is in the process of purchasing and installing an inventory software package that will keep track of its equipment. By installing this type of software and reviewing it regularly, the District will be able to monitor the location and use of its software.

Conclusion

*ECCSD has **fully implemented** this recommendation*. The ECCSD Technology Services Department has kept track of its software licenses electronically in spreadsheet form which has enabled it to readily review its software licenses and locations. ECCSD should finalize the purchase and installation of the electronic inventory software to fully automate monitoring the location and use of its equipment.

R6.11 ECCSD should examine its hardware and helpdesk databases and ensure that the time frames during which applicable computer hardware warranties are in force have been accurately and completely entered. The warranty periods captured in these databases should apply to the original warranty as well as any subsequent extended warranties purchased separately. The District should institute procedures that will substantiate that necessary warranty information continues to be maintained in these databases in the future. The District should also formalize its procedures regarding the management of warranty information to ensure it is effectively and consistently used to support repair decisions.

District's 1999 Economy & Efficiency Plan Response

ECCSD keeps all manufacturer warranties on file and maintains them electronically.

Implementation Status

The compact disk provided by the technology coordinator did not include a list of manufacturer warranties, with the exception of the Microsoft warranties referenced in **R6.10**. Rather, the manufacturer warranties are maintained in hard copy.

Implementation Assessment

ECCSD has not electronically filed its manufacturer warranties. Only its Microsoft warranties are filed electronically. Also, there is no indication that the warranties are consulted when making repair decisions. This indicates that ECCSD may be paying for technology repairs that are covered under warranty.

Conclusion

*ECCSD has **not implemented** this recommendation*. ECCSD should file its manufacturer warranties electronically and update them annually so that they can be reviewed when making repair and purchasing decisions.

R6.12 ECCSD should perform a thorough analysis of the costs incurred by its use of outside vendors, such as Dreher, to provide various technical support services. As part of this analysis, and in keeping with its stated policies, the District should seek competitive bids for services from a reasonable number of vendors. The bids should be in response to performance specifications and requirements which reflect the District's current and anticipated future needs for these services. When a comparative advantage can be demonstrated in using an outside vendor rather than District personnel, ECCSD should enter into a formal contract with that vendor which is consistent with the results of the bidding process. These contracts should be established for a specific period of time rather than on a month-to-month basis to reduce the risk of arbitrarily escalating rates.

As an option to contracting with an outside vendor for a specific service, such as the help desk, the District should consider providing the service in-house through existing or newly created positions. In reaching its decisions, the District should consider all factors related to providing the service in-house, including wages, benefits, equipment and software, supplies and possible training.

District's 1999 Economy & Efficiency Plan Response

ECCSD conducted a cost analysis of computer support services contracted to outside vendors. As a result of this examination, the District determined that MicroAge provides the most cost-effective service level agreement. It should be noted that this examination included the vendors' ability to provide adequate levels of technical support, certified staff, Compaq CEP status and state term contract participation. In the future, this process will be covered in the Purchasing Manual under **R2.25** in **financial systems**.

Implementation Status

Micro-Age is no longer the District's technology service provider. The technology coordinator indicated that it was determined that using sub-contractors for technology services was cost-prohibitive. The current Technology Service Department was expanded to provide District technical support.

In FY 1998-99, ECCSD spent $476,028 with Dreher Business Products. That year, the District changed to Micro-Age as its supplier and spent an additional $28,064. Currently, the District pays approximately $52,185 annually to LNOCA for its technology services, another $278,648 in direct salaries for technology service department personnel, as well as an addition 30 percent in benefits for personnel ($83,600), and approximately $50,000 in operational expenditures for the department. Compared to the contracted costs for Dreher and Micro-Age, ECCSD spends $464,433 for computer services. In 1999, the

District spent approximately $476,028 for outside support. Estimated costs for 2003 are approximately $464,433, a modest savings of approximately $11,600.

Implementation Assessment

Six employees in the Technology Services Department perform help desk and technical response functions. Their responsibilities are described below:

- **Technology Coordinator (1 FTE):** Responsible for coordinating the training for teachers to integrate technology into the classroom, coordinating the management of computer networks;, and maintaining the technology budgets and grant funding.
- **Network Administrator (1 FTE):** Responsible for the analysis, design, development and implementation of automated information systems, and defines needs and identifies problems with programs.
- **Computer Specialist II (1 FTE):** Addresses higher level responses and prioritizes the maintenance and upgrade schedule.
- **Computer Specialist I (3 FTEs):** Provides second level help-desk support, reports and documents computer upgrades; assists the computer specialist II with maintaining services and following the set schedule of updates as determined by the computer specialist II.

According to COBIT, the optimized information technology service department is defined as one that has the following attributes:

- The structure appropriately reflects the business needs of the organization by providing services aligned with strategic business practices, rather than with isolated technologies;
- The structure is flexible and adaptive;
- There is a formal definition of relationships with users and third parties;
- Industry best practices are used;
- The process to develop and manage the organizational structure is sophisticated, followed and well-managed;
- There is extensive use of internal and external technical knowledge;
- There is extensive use of technology to assist in the monitoring of organizational roles and responsibilities; and
- There is a continuous improvement process.

Although some of the COBIT attributes are outlined in ECCDS position descriptions, there are notable portions of the recommended practices that are missing from the position descriptions or requisite duties.

- **Technology Coordinator:** As the highest ranking member of the Technology Services Department, the technology coordinator is responsible for planning and implementation of technology, but there is nothing in the position description describing a duty to research and implement industry best practices. Without a clear responsibility to implement industry standards, the District could fall behind in its role to deliver the most effective service to its users.

  Likewise, the technology coordinator is charged with supervising the Technology Services Department staff, but has no defined role to develop and manage the organizational structure. The coordinator should to have a role in developing and managing the structure of staffing to best meet the needs of District consumers.

- **Network Administrator:** The network administrator is responsible for consulting with system users and defining needs which supports the creation of a structure that reflects business needs. The ECCSD network administrator is not required to perform these functions. However, the network administrator researches, proposes and implements new technologies and provides training as needed reflecting the technology department's quest for flexibility. As a component of these duties, the network administrators gains internal and external knowledge of new technologies. However, without the proper organizational and financial resources in place to maximize that knowledge, the effectiveness of the network administrator's expertise may be limited.

  Though the network administrator is charged with "interfacing with third party support and vendors," there is no formal definition of relationships with users and third parties in this system reflected in the position descriptions. Without these formal definitions, it is difficult to assess the performance of suppliers, generate responses from suppliers, or implement and enforce policies regarding vendor performance.

None of the position descriptions reflect a responsibility to implement technology to monitor organizational roles and responsibilities. Furthermore, not all of the responsibilities outlined in the CIP are stated in the position descriptions. Lastly, the CIP does not fully support recommended practices because it excludes goals such as optimizing and aligning the structure with business processes; creating an adaptive and flexible structure; deploying industry best practices; extensively using internal and external knowledge; and using technology in the role of monitoring organizational roles and responsibilities.

Conclusion

ECCSD has **not implemented** *this recommendation*. Although the District has experienced cost savings by performing its technology services in-house, it has not aligned its CIP for technology with the attributes of an optimized Technology Services Department. Also, the District has not updated position descriptions to contain roles and responsibilities outlined in the CIP. ECCSD should revise its CIP to include industry supported definitions of service and update its position descriptions to support the responsibilities outlined in the plan.

R6.13 ECCSD should institute procedures which will allow the District to monitor and evaluate the services provided by outside vendors. The District should either maintain its own records, or have access to, and routinely review, vendor records, which document services requested by District personnel and the timing and outcome of vendor responses to those requests.

District's 1999 Economy & Efficiency Plan Response

The Technology Services Department has implemented a policy that requires each vendor to outline all proposed work with an associated timeline**.** All work is reviewed and approved by the Department, via formal walk through and/or demonstration prior to payment approval. All work is reviewed with building principals or department contacts when completed. Appropriate records will be maintained.

Implementation Status

Currently contractors are only hired by the Technology Services Department for installing wiring for new computers. However, this is on an as-needed basis and each of these contracts is a single service proposal. They are small contracts usually less than $3,000. Contract monitoring is conducted through an evaluation of the scope of work and a comparison of the scope to the finished project. The final product is reviewed during a walk-through with the vendor.

Implementation Assessment

The technology coordinator is authorized to monitor the work of contractors for small projects that involve the wiring for new computers. She has not reviewed any other contracts. The technology coordinator monitors the wiring contract work by walking through the project and assessing each specification of the scope of work to determine that everything contracted has been completed.

Conclusion

*ECCSD has **partially implemented** this recommendation.* ECCSD has implemented a process for monitoring the work of contractors of the small projects as described by the technology coordinator, but there is nothing mentioned in the District's purchasing manual referencing how to monitor the progress for contracted work. The District's purchasing manual has a purchasing policy that outlines procedures for processing bids, soliciting quotations and vendor objection (regarding negotiation, change of service and product delivery), selection and relations (but no evaluation component),and provision.

While the purchasing policy deals with the purchase flow in a comprehensive manner, it does not reference the monitoring of larger projects. ECCSD should include in its purchasing manual a section on monitoring long-term projects or reference another document that deals with such practices, including tracking supplier performance, developing a supplier history which includes evaluation summaries, and developing checklists for accomplishment of project specifications (see the **contract management** section).

R6.14 ECCSD should purchase the source code or have the source code placed in escrow for key administrative software applications purchased from outside vendors. The establishment and maintenance of the escrow account should be part of the District's contract with the outside vendor, and should include all updates and revisions necessary to maintain the code in its most current version. The District should also specifically assign the responsibility for maintaining the purchased source codes or the escrow account agreements to an appropriate individual or department.

District's 1999 Economy & Efficiency Plan Response

The technology committee will address the issues and merits regarding the purchase of key administrative software applications. At this time, the State is planning to introduce new software (AAL) to track student, financial and human resource information; each District in the state will be required to use this software. The District will review the security of administrative software.

Implementation Status

LNOCA maintains all of ECCSD's key administrative software applications. LNOCA's fiscal software is USAS, which is developed and maintained by the State Department of Education Development Team. All source codes for the fiscal software are secured by that team through the Department of Education. The student services applications software source codes are maintained by the Data Acquisition site in Lima, Ohio.

Implementation Assessment

ECCSD has opted to join LNOCA which maintains the source codes pertaining to any service that comes through LNOCA. All other fiscal and student services application software is provided by the State and the source codes remain with the State.

Conclusion

*This recommendation is **no longer relevant** to the District's needs*. ECCSD does not need to negotiate the purchase or escrow of its source codes so long as all of its key administrative software applications remain at LNOCA or are obtained through the State.

Technical Architecture

R6.15 ECCSD should consider the impact of implementing additional software applications and increased technology usage on the WAN structure. Periodic analysis of the network structure may be necessary to plan and implement upgrades to meet the technology needs of the District.

District's 1999 Economy & Efficiency Plan Response

The Technology Committee will address the future implementation of software in the District. They will also include the manner in which software is accessed – from a central or local access point. Recommendations will be forwarded to the Board on an annual basis.

Implementation Status

ECCSD technology infrastructure is frequently upgraded because of the funds made available for upgrades through E-Rate, a federal subsidy for school district technology purchases. Compaq's Insight Manager Software, a remote network management tool, is used to monitor the system for trouble. The network is monitored by the Technology Services Department continuously each workday. LNOCA, as the District's network provider, provides firewall services and access to the Internet, and student and financial data.

Implementation Assessment

Through LNOCA and the District's network management system, the District is able to adequately monitor the system. However, since the technology committee is not active, outside oversight has not been implemented. Decisions regarding changes and oversight

of monitoring and reporting functions have been delegated to District administrators. The completion of these tasks could not be demonstrated.

Conclusion

*The District has **partially implemented** this recommendation*. The Technology Services Department engages in system monitoring. However, another level of monitoring is needed. ECCSD should reinstate the technology committee with individuals knowledgeable and interested in technology and provide the committee with a level of oversight authority of network issues (see **R6.6**).

R6.16 The District should consider implementing the Cisco Works network management software.

District's 1999 Economy & Efficiency Plan Response

The Technology Services Department has implemented the Cisco Works network management software. This software is currently used to monitor internet working devices throughout the District. This includes Cisco switches, routers and access servers.

Implementation Status

ECCSD no longer uses Cisco Works. Rather, Compaq is the District's supplier of computer hardware and has provided Insight Manager as part of the package. According to the technology coordinator, this management tool is working well and is reliable for indicating problems with all of the District's servers.

Implementation Assessment

ECCSD has opted to use a vendor provided system, and it appears to be working effectively.

Conclusion

*ECCSD has **fully implemented** the recommendation*. The District uses network management software to monitor the Internet. Although not the software recommended in the 1999 Performance Audit, ECCSD has fulfilled the intention of the recommendation. The software ensures that the District can remotely monitor all its servers.

R6.17 ECCSD should develop a formal plan for restoring data from the magnetic tapes created upon the disposal of the mainframe system. The plan should identify several vendors that provide data restoration services, describe the structure and

format of the historical data, and the type of mainframe and operating system used to originally process the data. The District should also ensure that the tapes are stored in a secure environment and that backup tapes are maintained at an off-site location.

District's 1999 Economy & Efficiency Plan Response

The District plans to migrate historical data to tape and will access it via the LNOCA computer system.

Implementation Status

In order to retrieve the information from tape cartridges, it must be transported from ECCSD to LNOCA for transfer onto LNOCA's AlphaServers. All pre-1998 data regarding transcripts and financial information (including payroll) has been put on compact disc so that it is accessible at the District. This information dates as far back as the late 1800s.

ECCSD's data from 1994 through 1998 was prepared on magnetic file, and the data is currently located in the EMIS Coordinator's office. Additionally, Shaw High School keeps its financial and registrar data on compact disc and microfiche. The information that is stored on compact disc and cartridges is not backed up through additional copies stored at an off-site location.

All data from 1998 to the present is maintained on the LNOCA computer system. LNOCA maintains all data at its site for five years. Beyond the five-year term, the data (as well as back-up copies of current data) is warehoused off-site at a long-term storage facility. All data stored through LNOCA is secure and copies are stored off-site through LNOCA.

Implementation Assessment

The historical data from prior to 1998 is retained on cartridges that would need to be accessed through equipment available from LNOCA. This excludes transcript and financial information kept at Shaw High School. The District has not secured back up data of the pre-1998 data through storage at an off-site location. Furthermore, the District has not developed a record retention system for this data. To do so, it would need to determine what kind of security and accessibility it values for its data by prioritizing and devoting the necessary resources for developing an appropriate record retention system.

Conclusion

*ECCSD has **not implemented** the recommendation*. ECCSD should develop a comprehensive plan for restoring its historic data. Since most of its data from pre-1998 is accessible via current technology, it should prepare its plan by determining how to best secure back-up material for its data in a single format with back-up copies stored at an off-site location, and to develop a record retention system.

R6.18 ECCSD should consolidate all its information pertaining to computer hardware in a single centralized location. The District should also make this information available to the District's other operational units on a read-only basis. The District should conduct an annual physical inventory of its computer equipment, as well as perform selective quarterly testing. The database should also be reconciled annually to the related fixed asset records maintained in the District's financial system (R2.35). Accurate and complete hardware data is necessary for the District to effectively manage its resources and generate reports such as the following:

- **The composition of equipment at each building.**
- **The age of computer equipment (including servers) in each building.**
- **Ratio of computer workstations to printers in different buildings.**
- **Ratio of computer workstations to students.**

A well-maintained centralized hardware database can assist the District in planning for future upgrades and replacement of computer equipment, managing warranties and software licenses, determining appropriate levels of insurance coverage, and providing more effective helpdesk services.

District's 1999 Economy & Efficiency Plan Response

To ensure accuracy and completeness of the information that will be entered into the new database, ECCSD has conducted a physical inventory of computer equipment in the District. The Technology Services Department currently has two databases that track computer hardware in the District. The District is developing a central database that will combine data from both databases.

Implementation Status

The technology coordinator has developed a list that includes all computers and an inventory of the software associated with each (**R6.10**). In addition, a separate inventory was completed for each of the schools to reflect the building's hardware and software. The license numbers for each of the software licenses are listed on the general inventory as well as each building's inventory.

<u>*Conclusion*</u>

*This recommendation has been **fully implemented**.*

Software Applications

R6.19 ECCSD should develop a comprehensive listing of all business applications used throughout the District. The listing should be maintained by the director of technology and updated whenever systems are implemented, upgraded or replaced. As discussed in R6.6, the technology steering committee should review any major software purchases. The following information should be tracked for each application used by the District:

- **Name of business application,**
- **Purpose of business application,**
- **Location and type of hardware the application resides on,**
- **Software version, vendor name, address and telephone number if purchased,**
- **Location of backup source code or escrow account,**
- **Programming language used to develop in-house application,**
- **Application interfaces,**
- **Software license number, and**
- **Implementation year.**

This listing should be an integral part of the District's disaster recovery plan.

<u>*District's 1999 Economy & Efficiency Plan Response*</u>

The District currently has a list of all software implemented on classroom and administrative computers. The list is maintained by the Technology Services Department and is used as a guide for software purchases.

<u>*Implementation Status*</u>

The business application software for student and financial data is obtained through the LNOCA system. All other software programs are listed on a compact disc (of which there are several copies) with the name, license number, location (IP address), date of purchase and vendor.

Implementation Assessment

The District has a comprehensive list of software that appears to be regularly updated. This information is sufficient to determine losses, assess damage, and make insurance claims if a catastrophe occurred.

Conclusion

*This recommendation has been **fully implemented**.* ECCSD should ensure that maintaining this list remains a priority and is part of the remote inventory system currently being implemented in the District (**R6.10**).

R6.20 The District should implement procedures to enable tracking of District-wide technology-related expenditures. For example, the District could use the 2960 function code series, which relates to data processing, to identify expenditures related to technology. Also, the District could use a specific job code for technology expenditures.

Coding and tracking District-wide technology-related expenditures would allow the District to generate detailed expenditure information and management reports. The management reports could indicate the various sources of funds used to purchase items such as hardware and software, what items are being purchased, and which departments are spending funds on technology. The District should provide these management reports to the technology steering committee on a periodic basis.

District's 1999 Economy & Efficiency Plan Response

ECPS is currently tracking District-wide technology related expenditures.

Implementation Status

The purchasing agent tracks all technology purchases by vendor/supplier, grant code and by the code 600 and 700 purchases that apply to technology. Furthermore, the purchasing agent can look at each check number and purchase order number to determine where money has been spent. For example, the largest supplier for technology purchases is Smart Solutions which is a supplier from the State co-operative program. As of June 9, 2003, the District had already spent $254,000 with that supplier using Ohio School Net funding and additional grant monies. Also, each budget manager (either a principal for a building, director of a particular grant-funded project, or department within the District) is responsible for monitoring purchases.

The purchasing agent also stated that she requires layers of approval for technology purchases. Whenever a technology purchase request comes to her, she makes a call to the technology coordinator to ensure that it has been reviewed for the supplier (for discount purposes) and compatibility within the system. If the technology coordinator has not been notified of proposed purchase, the technology coordinator contacts the requesting party before granting approval.

Implementation Assessment

The purchasing agent is able to aggregate purchase information by building and code, as well as by supplier. The system cannot provide information on all technology purchases District-wide without adding in technology supplier purchases or adding those purchases that are listed in the 600 and 700 codes which pertain to all equipment and replacement of equipment purchases. There is no additional coding system to identify technology purchases. Without a coding system that identifies technology purchases, the District is unable to easily report and monitor how much it is spending on technology. The purchasing agent was able to provide a list of all technology purchases from a single elementary school building for the Auditor of State's Office to review. It provided the following information:

- Purchase order numbers;
- Date;
- Transaction number (which matches the purchase order number);
- The status (pay/warrant, canceled, encumbrance);
- Activity (expend, cancel, encumber);
- Amount;
- Number (to match the PO and transaction number);
- Date;
- Status (reconciled, warrant, canceled);
- Vendor number;
- Item number;
- Item descriptions; and
- A final field that lists the description of the activity at the second review (completely paid, canceled or new order made).

Conclusion

*The District has **not implemented** this recommendation*. The District should implement a unique object code to track all technology related expenditures. Using a special four digit object code will still allow all purchases to be correctly categorized by fund and object.

R6.21 ECCSD should increase the use of technology by acquiring and implementing food service software that can help in the daily management of food service operations.

Financial Implication: **Depending on software, the implementation cost could be between $1,900 as a one-time cost and an additional $350 annually to $2,995 as the one-time cost with an additional annual cost of $428.**

District's 1999 Economy & Efficiency Plan Response

ECCSD is currently using computer hardware and software in its daily management of food service operations. This system is designed to improve operational efficiency and reporting capability. The technology committee and food service coordinator will investigate upgrading current software.

Implementation Status

ECCSD uses Esber Cash Register's Café Terminal as its food service management system. The Technology Service Department maintains the computers and the network upon which the program resides. Café Terminal maintains the software.

According to the food service coordinator, Café Terminal is not a comprehensive food management software system, but a point-of-sale system. It was installed to reduce the paper work load associated with tracking of each of its "free lunch," "reduced cost lunch" and "pay" lunch sales. Café Terminal was installed so that tracking is performed automatically. Since the District is now a Provision II District, all its meals are "free." This change has essentially reduced the Café Terminal system to a meal counting system.

Implementation Assessment

The food service system is a point-of-sale system and not a complete food service management system. As recommended in the 1999 Performance Audit, it captures sales data at the point of sale; maintains data on the number and type of meals served; and shows the difference between the number of sales and the number of meals served. In addition, because of the swipe card feature, it can determine eligibility for free and reduced breakfast and lunch benefits and assist with the audit of students receiving benefits. The documentation provided to AOS reflected a software support cost of $350 annually for each cafeteria which totals $700. Hardware purchases totaled $7,155 in FY 2000-01. Cafe Terminal does not fulfill the recommendation to obtain software to assist in the daily management of food preparation such as menu planning and inventory management

Conclusion

*ECCSD has **not implemented** the recommendation.* It does not have a food service operations program with the recommended capabilities. It should review its contract with Esber Cash Register, the provider of Café Terminal, to determine if the current vendor can meet the recommended specifications. If not, ECCSD should develop specifications for a software system and publicly request bids for service. These specifications should clearly articulate the following functions as included in the 1999 Performance Audit recommendation:

- Maintenance of perpetual inventory;
- Production of variance reports showing differences between physical counts and system-recorded inventory balances;
- Production of food supply usage reports so that meal sales records can be compared to food supply to indicate waste;
- Generation of food supply orders when stock levels are low;
- Analysis of menus for proper nutrition; and
- Maintenance of recipes to assist in consistent meal preparation in the buildings.

Communication Technology

R6.22 ECCSD should standardize its e-mail package by expanding the availability of Microsoft Exchange to all teachers, administrators and staff as soon as possible. A standard e-mail package would be more cost-effective to implement and training the staff in its use would be easier. It would facilitate the timely communication and sharing of information, as well as minimize incompatibility issues associated with the sending or receiving of e-mail attachments.

District's 1999 Economy & Efficiency Plan Response

ECCSD has adopted Microsoft Exchange as the e-mail standard for staff and administrators. It has allowed the District to facilitate more timely communications and sharing of information within and outside the District.

Implementation Status

Microsoft Exchange is provided to all administrative staff, all clerical support staff, all principals, and some teachers (depending on their responsibilities outside the classroom). The technology coordinator stated that an implementation plan is being developed by the Technology Services Department to provide all teachers with e-mail access.

Implementation Assessment

E-mail access is not available to the entire staff, thereby making it impossible for District-wide communication to be transmitted via e-mail. Access to e-mail is important for universal notification and should be available to all staff: administration, faculty, clerical and support staff.

Conclusion

*ECCSD has **not implemented** this recommendation.* Because the staff are not uniformly equipped with electronic communication, the benefit of timely and consistent information provided by a good electronic mail system is not available to the District.

R6.23 **ECCSD should reestablish its website to improve the quality and quantity of information. The District should also institute procedures which will allow it to capture and analyze the amount of activity at its website, which would provide information useful in maintaining and enhancing the site. The following are items that could be included in the District's website:**

- **General District information**
- **Map of District and school boundaries**
- **Current members of the Board of Education**
- **Board of Education meeting schedule and minutes**
- **Strategic plans and annual District-wide goals**
- **District Report Card, including aggregate proficiency test results**
- **Calendar of events**
- **District releases to the media and summary of recent new media coverage**
- **Department/Administrator office phone directory**
- **Individual elementary, middle and senior high school home pages**
- **School starting and ending times**
- **Listing and description of academic programs, vocational education programs and extra-curricular activities offered**
- **Student enrollment procedures**
- **Historical and projected student enrollments**
- **Civil Service and certified position vacancies**
- **Application process for certificated positions**
- **District policies such as immunization requirements, graduation requirements and transportation policy**
- **Access/link to other educational resources such as the Ohio Department of Education**
- **List of Web sites for students to visit to obtain educational information**

- **Homework page that can be accessed by parents to obtain information on student projects and assignments given by teachers**
- **Answers to frequently asked questions**

District's 1999 Economy & Efficiency Plan Response

ECCSD has developed and implemented a District website (www.east-cleveland. k12.oh.us). This site is designed to improve the quality and quantity of information provided to its constituents and other individuals interested in the District. The website is an ongoing project that constantly reflects current District activities and initiatives.

Implementation Status

ECCSD has a working website that provides to the public the names and addresses of each of the schools in the District, a small map that provides the location of the school in terms of major roads, and links to contact school officials through e-mail (Microsoft Outlook connection). There are also pages that include calendars of events, the District's mission statement, and a list of each school's core values.

Implementation Assessment

The 1999 Performance Audit recommendation included a list of specific information that ECCSD should include on its web site. The following table shows the status of the recommendations as of May 12, 2003:

Table 6-1: ECCSD Website Content

Content	ECCSD Web Site
General District information	The website has the names and addresses of the schools with a way to e-mail (through Microsoft Outlook) the District. It has a calendar, but no events have been listed. There is not a contact list for District officials, but there is a list of staff in the Curriculum and Instruction Department.
Map of the District and school boundaries	There is a small map with each school home-page which does show major cross-roads. There is not a map of the entire District on the site.
Current members of the board of education	A list of the current members is listed on the site. It can be found by clicking on the Board of Education Building picture. The list is difficult to locate.
Board of education meeting schedule and minutes	The Board of Education meeting schedule and approved minutes are not available through the web-site.

Content	ECCSD Web Site
Strategic plans and annual District-wide goals	A list of core values is listed and the principals of each school "speaks" (there is an audio tape that plays when the school web-page is opened) on the District's mission and the school's goals. The District's mission is also on the web-page (but is part of the dynamic introduction and so could not be printed). The District's strategic plan is not included on the web-page.
District Report Card, including aggregate proficiency test results	There is no link to the District Report card or any other links, such as to the Department of Education
District releases to the media and summary of recent new media coverage	There are no "in the news" sites
Department/Administrator office phone directory	A phone directory is not provided.
Individual elementary, middle and senior high school home pages	Individual elementary, middle and senior high school home pages are provided with the principals talking and a small map of the school to show major cross-roads. A picture of each school is provided.
School starting and ending times	There is nothing on the web-site showing the start and end times at the school buildings.
Listing and description of academic programs, vocational education programs and extra curricular activities offered	The Curriculum and Instruction Department is fully described with lots of text but no frequently answered question sections or contact information. Actual academic programs and the extra curricular activities are not listed.
Student enrollment procedures	No student enrollment procedures are located on the web-site.
Historical and projected student enrollments	No historical or projected student enrollments are provided on the web-site.
Civil Service and certificated position vacancies	Job openings are not listed on the web-site.
Applications process for certificated positions	There is nothing on the site that indicates how to apply for any position in the District.
District policies such as immunization requirements, graduation requirements and transportation policy	None of the District's policies are posted on the web-site.
Access/link to other educational resources such as the Ohio Department of Education	There are no links to other educational resources on this web-site.
List of Web-sites for students to visit to obtain education information	There are no links to other educational web-sites on this web-site.
Homework page that can be accessed by parents to obtain information on student projects and assignments given by teachers	Homework pages are not provided.
Answers to frequently asked questions	A page with frequently asked questions and their answers or contact information is not provided.

Source: www.eastcleveland.k12.oh.us

Conclusion

*ECCSD has **partially implemented** this recommendation*. ECCSD's District-wide website does not fulfill all of the intended objectives listed in the 1999 Performance Audit. ECCSD should revisit the recommendations from the audit and develop an

implementation plan for upgrading and maintaining the site. Contact numbers, District policies, calendar items and answers to frequently asked questions should be at the top of the agenda since these items can be briefly and clearly explained through a website venue. These are important informational items that can improve communication between the District, students, parents and other stakeholders.

R6.24 ECCSD should develop an Intranet to take advantage of the newly installed WAN. The Intranet could contain the following items which would be available to District employees on-line:

- **District telephone/address directories**
- **Training classes and schedules**
- **Strategic plans and annual building locations**
- **Internet usage policy and other District policies and procedures**
- **Reference manuals such as handbooks and EMIS manuals**
- **Technical memos on common software questions or problems**
- **Standard District forms such as payroll, evaluations, address change requests, training requests and fax cover sheets**
- **Employee and departmental newsletters**
- **Bulletin board where District staff in one building can share information on specific topics or projects with staff in another building**
- **Answers to frequently asked questions.**

District's 1999 Economy & Efficiency Plan Response

As stated in the District's response to **R6.23**, ECCSD has developed a website. The website includes the capability to provide a District Intranet. A sub-committee of the technology committee will be responsible for developing the District Intranet.

Implementation Status

The District does not have an Intranet site. There are plans, according to the technology coordinator, to implement a site. However, these are on hold because there is no one dedicated to developing the website.

Implementation Assessment

According to the technology coordinator, because the technology steering committee is not functioning, the responsibility for developing a District Intranet site has been postponed. However, the technology coordinator reported in June 2003 that the District received a grant from E-Rate for about $275,000 for internal connections. The

technology coordinator plans to use some of that funding to support a sub-contracted, part-time Intranet developer position to get an intranet site up and running. The technology coordinator is confident that, after the site has been developed, the existing staff could manage the up-keep of the site. Intranets are important for communication purposes and help provide training and support within the District.

Conclusion

*The District has **not implemented** the recommendation.* It should develop concrete objectives for the Intranet web-site, and the ability to authorize the implementation of the objectives.

Instructional Technology

R6.25 ECCSD should implement procedures to adequately maintain financial information on all technology grants. These procedures should ensure that grant-related transactions are accurately and completely recorded in the accounting system in a manner that will allow later summarization by grant as needed. Financial information reported to the granting authority should be supported by proper financial reports and records.

District's 1999 Economy & Efficiency Plan Response

Grant information is maintained on the District's accounting system.

Implementation Status

ECCSD was able to provide a list its grant funding for FY 2001-02. In addition, an account summary was provided which shows the total spending per grant fund. However, the information did not show the spending chronology or allocation per grant. While the amount of each grant was provided, no information on when the grant was spent down or what was purchased from the grant funds was provided.

Implementation Assessment

ECCSD is not able to summarize its grant revenue and expenditure information for its technology grants in a readily accessible manner to fulfill reporting requirements to granting authorities. However, the District's purchasing agent, who is responsible for monitoring the fiscal aspects of grants, explained that all purchases are approved by the director in charge of the grant before they are reviewed by the purchasing agent. The two approval systems allow for directors to check purchases for their purchasing plans and the purchasing agent to check purchases for fund availability. The system used in the

purchasing agent's office can report expenditures by the account directly attributed to the grant.

<u>*Conclusion*</u>

*ECCSD has **partially implemented** the recommendation.* It has implemented procedures to maintain the financial information on its technology grants through its budgeting system and was able to list its grants and the amounts which match the supporting documentation from the granting authorities. ECCSD was not, however, able to provide comprehensive financial information that included the funding and expenditure history of each grant. Since a history of spending by grant is necessary to comply with reporting requirements for some granting authorities, ECCSD should periodically or quarterly print out spending histories that include the dates and items purchased for each grant. This should be used to compare the District's information with that of the director managing the grant.

Technical Training

R6.26 The District should assign resources to develop a centralized staff development program for technology. In developing a central staff development program, the District should consider the following:

- **A central database should be used to track and monitor training information. For example, information on when training was provided and who attended specific courses could be maintained in this database. This District can then use this information to target staff members who are not attending staff development sessions. The District can also ensure that each staff member is receiving an adequate amount of technical training on an annual basis.**

- **To increase participation in training sessions, the District should consider listing courses on an Intranet (see R6.24) listing. Information on the training sessions in an electronic form would help reduce paperwork by eliminating hard-copy schedules and would facilitate keeping information more up-to-date.**

- **To help ensure that District staff are properly trained to use the technology being implemented in the classroom, the District or buildings should consider making a certain amount of basic technical training (for example, 16 hours) mandatory for those building staff such as teachers who will be receiving a computer workstation for the first time, or who will be expected to use a computer work station in daily activities. Teachers can consider using**

professional days for technical training. This would be the most cost-effective approach.

- **District staff should also attend training based on an evaluation of their individual technical skills. The District could use the format suggested by Ohio SchoolNet, which has four levels of technical competency. The four skill levels are: novice, practitioner, scholar and expert. There are twelve categories concerning specific areas of technology. The twelve categories include PC literacy, PC troubleshooting, E-mail and Internet. The skill of the staff members would determine the nature and type of training courses that would be most beneficial toward enhancing their technical capabilities.**

District's 1999 Economy & Efficiency Plan Response

ECCSD is coordinating software and hardware training through the Technology Services and the Curriculum and Instruction Departments. The District is developing a database that will contain employee training history.

Implementation Status

ECCSD provided copies of sign-in sheets with signatures from training sessions for various hardware and software. However, ECCSD did not track the dates of training sessions, the body of knowledge addressed, or those who participated in training in a comprehensive database.

According to the technology coordinator, during FY 1999-00 there was more technical training provided by technical specialists to assist teachers with the use of their classroom equipment. In addition, the specialists provided internal support to address follow-up questions and implementation. The technical specialists returned to classroom duties in FY 2000-01 and technical back-up has not been available.

Implementation Assessment

ECCSD provided a notebook that listed training history since FY 2000-01. It showed the times, dates and original signatures of attendees at training. It also provided the names of the training which covered topics mostly pertaining to web-site development and some word processing. ECCSD was not able to provide a comprehensive training history.

Conclusion

*The District has **not implemented** this recommendation*. It has assigned the technology coordinator to develop and manage a centralized staff development program. There is insufficient evidence that training has been provided to ECCSD employees or that expertise has increased among the faculty and staff.

ECCSD should develop a database for tracking training information. The database should provide the following:

- Evidence showing the amount of training provided, or whether it has increased, decreased or remained the same since the 1999 Performance Audit;
- Assurances of minimum training per teacher or staff member; or
- Evaluations of training.

R6.27 ECCSD should make Y2K compliance a high priority critical project.

District's 1999 Economy & Efficiency Plan Response

LNOCA has certified that the key administrative software (financial, student and human resource) is Y2K compliant.

Implementation Status

ECCSD did not experience Y2K compliance issues.

Implementation Assessment

The Y2K compliance is no longer an issue.

Conclusion

*This recommendation is **no longer pertinent** to District technology operations.*

Education Management Information System (EMIS)

R6.28 ECCSD's administrator of data processing should have the overall responsibility for EMIS data. The responsibility should include the financial data, in coordination with the treasurer. Having a dedicated EMIS coordinator with overall responsibility helps ensure that data is submitted on a timely basis. Additionally, a dedicated EMIS coordinator helps ensure that the District is aware of changes in

EMIS reporting and that these changes are sent to the appropriate staff throughout the District.

R6.29 ECCSD should implement internal controls to ensure the timely and accurate submission of EMIS data. The District should strive to continue decreasing the number of errors that they get back on their error reports. The following are some of the controls that the administrator of data processing could put in place to assure continued accuracy:

- **Check data input on a daily basis**
- **Run error reports several times during the year**
- **Resolve error reports from initial data submission, before final submission**

District's 1999 Economy & Efficiency Plan Response

The EMIS coordinator is responsible for monitoring the input of EMIS data. The coordinator runs reports and checks the data and error flags until they are free of errors. The Department of Education monitors the timely submission of this data.

Implementation Status

The EMIS coordinator is responsible for the following tasks:

Checking data input on a daily basis: The EMIS coordinator runs all the reports from each of the schools when he receives them, usually on a daily basis. The EMIS coordinator stated, however, that while checking reports periodically is important to catching errors, the most important factor in reducing errors in reports has been the increased level of training for data input personnel. The EMIS coordinator trains District data input personnel (secretaries and clerks and the individual school buildings), on how to navigate the system and input data correctly. This has greatly reduced the errors that he sees.

Running error reports several times during the year: The EMIS coordinator runs reports during certain times of the year according to the Department of Education schedule. In March of each year, all data for Career Technology is run. This report follows up on June graduates. In December, the EMIS coordinator runs demographic data as well as any reports pertaining to Special Education students. In October and June, a full District snapshot is taken. Error reports are run for each of these reports. Reports cannot be submitted to the Ohio Department of Education (ODE) with errors or heavy fines may be instituted. The EMIS coordinator stated that during his tenure, ECCSD has not been fined.
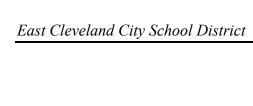
Resolving error reports from initial data submission, before final submission: Since reports with errors cannot be submitted to ODE, all errors are resolved prior to submission. However, a report can be submitted with "warnings" which may or may not be errors. The system will flag "warnings" for certain codes and the report will not be finalized until each of those "warnings" is answered. If the coordinator answers the "warning" incorrectly, an error could still be submitted. Therefore, the EMIS coordinator checks each of the "warnings" with hard data. An example of a "warning" is a mismatch between the grade of a student and his or her age (a 19-year old Junior), course types (when a Kindergartner child is coded as Gifted) or a year warning on the age of personnel (a 75 year old individual's code will be flagged since the system assumes that the workers will not be older than a certain age).

Implementation Assessment

The EMIS coordinator has a process for monitoring the data that is consistent with the recommendations stated in 1999.

Conclusion

*These recommendations have been **fully implemented**.* The EMIS coordinator should continue to follow the procedures in place and continue to train data-entry personnel in how to correctly input EMIS data. Since the EMIS coordinator serves as a second-party reviewer of the data (the first being the data entry personnel themselves), the likelihood of errors occurring in the submitted data is reduced.

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Contract Management

Summary

East Cleveland City School District (ECCSD) relies on a variety of purchased services to ensure the daily operations of the District occur without interruption or incident. These services include school bus transportation, security, plumbing, roofing repairs, and construction projects. The District also purchases professional and technical services to evaluate and recommend practices for the improvement of operations, such as consultants who perform curriculum planning.

Since purchased services are considered discretionary expenditures for a school district, it is important that sufficient management and internal controls are followed to ensure appropriate contract management with vendors.   The District is not managing its service-oriented expenditures through effective contract management, especially in the area of professional and technical services. Although ECCSD has decreased its overall purchased services expenditures as a percentage of total expenditures since FY 1998-99, its expenditures on professional and technical services have nearly doubled from less than $913,000, or 2.3 percent of overall expenditures in FY 1998-99, to over $2 million, or 4.5 percent, in FY 2001-02 (**R2.12**).

ECCSD is also responsible for establishing and maintaining internal controls over the contract management process to avoid noncompliance with State statutes, and to protect against theft or misuse of its assets. However, for the purchased services reviewed within this performance audit, there has been little or no administrative oversight and few internal controls over the contract management process. Internal control weaknesses have occurred as a result of a decentralized procurement process and confusion among employees as to who is responsible for the various steps of the contract management process and its oversight. This stems from instructions in the District's purchasing manual that delegate responsibility for these functions to an unfilled position.   When the District was developing the purchasing manual during FY 1999-00, it intended to create a director of business services position that would be responsible for purchasing within the District. However, this position was never posted and filled, and the manual was never amended (**F7.3**).

In order to more effectively control purchased service expenditures, ECCSD must strengthen its procurement and contract management internal control processes by adhering to existing written policies and procedures. The District will also need to significantly revise and update these policies and procedures to reflect effective purchasing and contract management practices as described in this performance audit and its appendix. Responsibilities for oversight and management of these policies and procedures must be assigned to the most appropriate and current employees within the District and these employees will require training on any updated

policies and procedures. Finally, ECCSD and its Board should act to ensure that its employees are accountable for following purchasing and contract management policies and procedures. For further information regarding purchasing within the District, see the **financial systems** section.

Vendor Summaries

A sample of service providers was examined during the course of the performance audit. The contract management process for each vendor and consultant used by the District was not studied, however it is recommended as a matter for further study. The following are descriptions of services provided by a sample of vendors to the East Cleveland City School District. Vendors were selected using the following criteria: they provided a service, rather than a product, to the District; they provided services over the course of more than one fiscal year; and they received over $25,000 in payments per fiscal year. Also included are vendors with contract management issues that were brought to the auditors' attention during the course of the performance audit.

- *Alarm Core*:   Supplied and installed surveillance cameras in each school, and provided and installed monitoring equipment at the Shaw Technical School.

- *Apple Mobile Leasing:*   Supplied and installed a multiple classroom, modular unit near the Superior Elementary School to help house students relocated as a result of the Classroom Assistance Construction Project.

- *Sylvester Bennett*:   Submits invoices to the Ohio Department of Mental Retardation and Developmental Disabilities (ODMRDD) for Medicaid reimbursement for services provided by ECCSD to Medicaid-eligible children.

- *Chambers Transportation*:   Transports all special education students attending out of district schools.

- *Dodson and Associates*:   Serves as the District's owner's representative for the Classroom Assistance Construction Project.

- *Evans Newton, Inc.:*   Designs and provides products and services to increase student performance on State testing by aligning school curricula with the State standards.

- *Force Security*:   Provides security support for each school.

- *RAN Security:*   Provides security services at the schools during athletic events.

- *Sharon Simmons*:   Provided various academic program evaluations during FY 2001-02 and FY 2002-03.

- *Thomas Transportation*:   Provided special education transportation up until FY 2002-03 when the District decided to have only one transportation provider.

The District pays its vendors from the General Fund and federal, State and private grants. **Table 7-1** shows all payments made by ECCSD to various vendors during FY 1998-99 through FY 2002-03.

Table 7-1: Payments Made to Vendors

Vendor	Total Paid FY 1998-99	Total Paid FY 1999-00	Total Paid FY 2000-01	Total Paid FY 2001-02	Total Paid FY 2002-03	5-Year Total
Alarm Core	-	-	-	-	$ 127,630	$ 127,630
Apple Mobile Leasing	-	-	-	$ 84,912	$ 1,225,722	$ 1,310,634
Sylvester Bennett [1]	-	-	$ 35,460	$ 52,320	$ 41,666	$ 129,446
Chambers Transportation	$ 153,816	$ 146,140	$ 115,487	$ 144,924	$ 253,105	$813,472
Dodson & Associates	-	-	$ 57,096	$116,820	$ 129,081	$ 302,997
Evans Newton, Inc.	-	-	$ 470,067	$80,630	$ 29,914	$ 580,611
Force Security	$ 287,971	$ 243,337	$ 274,236	$ 400,359	$ 748,755	$ 1,954,658
RAN Security	$ 769,892	$540,804	$ 424,181	$351,867	$ 74,655	$ 2,161,399
Sharon Simmons	-	-	-	$ 29,881	$ 35,200	$ 65,081
Thomas Transportation	$227,569	$ 249,408	$ 128,928	$181,865	$ 26,224	$ 813,994

[1] Payments made through the Cuyahoga County Educational Service Center

All of the vendors, with the exception of Sylvester Bennett, are paid directly by the District. Sylvester Bennett is paid through an account that the District has established with the Educational Service Center of Cuyahoga County (ESC). The ESC acts as a pass through agent for the District.

ECCSD Contract Management Checklist

The contract management process consists of several important steps. The first step in the process is to determine whether or not the services in question can be provided by current employees of the District. Once this is determined, the following should occur:

- Develop specifications or the scope of services or products needed;

- Use the specifications to develop a Request for Proposals (RFP), a Request for Qualifications (RFQ), or a request for price quotes;

- Advertise the RFP or RFQ;

- Rate or grade the proposals, qualifications or price quotes received and select the best vendor for the most reasonable cost;

- Present the recommended vendor to the Board of Education, and the Board passes a resolution authorizing the District to enter into a contract;

- Issue financial certificates, such as a purchase order or 412 certificate, stating that funds are available for payment to the vendor; and

- Work with the District's legal representative to develop a contract for services between the District and the selected vendor.

Once the contract is negotiated and signed, the vendor can begin to provide services to the District. It is the responsibility of the District to ensure that the vendor is complying with the terms of the contractual agreement. This is accomplished through the submission of detailed invoices and performance reports by the vendor, and the District's monitoring of these documents and the services provided in relation to the contract requirements. At a minimum, monitoring can be done using the District's Uniform School Accounting System's (USAS) vendor performance monitoring program. See **R2.34** in the **financial systems** section.

Table 7-2 presents the steps in the contract management process as outlined above and indicates whether ECCSD followed the steps with the selected vendors included in this review.

Table 7-2: Contract Management Checklist

	Alarm Core	Apple Mobile Leasing	Sylvester Bennett	Chambers Transportation	Dodson & Associates	Evans Newton, Inc.	Force Security	RAN Securities	Sharon Simmons	Thomas Transportation
Develop specifications for services	No	Yes	No	No	No	No	Yes	Yes	No	No
Develop and Issue RFP or RFQ	No	No	No	No	No	No	Yes	Yes	No	No
Request proposals, price quotes or qualifications	No	No	No	No	No	No	Yes	Yes	No	No
Receive vendor proposals, price quotes or qualifications	Yes	Yes	No	Yes	No	Yes	Yes	Yes	No	Yes
Rate or grade proposals, price quotes or qualifications	No	No	No	Yes	No	No	No	No	No	Yes
Board approves selected vendor	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Issue P.O. for each FY services are to be received	No	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes
Develop and sign a contract	No	No	No	Yes	No[1]	Yes	Yes	Yes	Yes	Yes
Approve invoices and report summaries	No	Yes[2]	Yes	No	Yes	No	No	Yes	Yes	No
Monitor and report vendor performance	No	No	No	No	No	No	No	No	No	No

Source: ECCSD treasurer and purchasing agent

[1] A contract was drafted in 2001 and again 2002, but never signed. A contract was signed on September 8, 2003.

[2] Invoices were approved by Richard Dodson, a contracted vendor, rather than a District official.

As indicated in **Table 7-2**, ECCSD has not consistently followed common contract management practices with any of the vendors reviewed. The absence of contract monitoring and failure to follow standard contracting procedures has limited the District's ability to control the expenditures associated with certain purchased services.

Findings / Recommendations / Commendations

Policies and Procedures

F7.1   The ECCSD Board has not ensured that it is adequately trained on State laws, and District policies and procedures. Ohio boards of education are given broad authority in the conduct and management of the public schools in the district. Included among the powers of a board of education in managing the schools is the power to adopt reasonable rules and regulations. However, the Board may not legislate nor undertake nor authorize any action that is inconsistent with statutory law. Therefore, the Board is required to follow statutes as prescribed by the Ohio Revised Code (ORC). During the course of this performance audit, it was noted that the ECCSD Board had not adhered to the following statutes:

- ORC § 3313.46(A) when it did not ensure a modular unit was appropriately bid (**F7.8**);

- ORC § 5705.41(D) when it does not ensure purchase orders are issued when entering into purchasing agreements or contracts with vendors, especially when the services have been extended past the initial year (**F7.10**); and

- ORC § 5705.412 when contracts for $500,000 and over are entered into without issuing the required 412 certificate (**F7.11**).

ECCSD does not ensure that it is spending funds in compliance with ORC requirements, and, has not corrected the continual citations for non-compliance within its annual financial audits.

Although the Board approved the District purchasing manual in December 2000, it has not consistently followed the procedures outlined in the manual. For example, the Board routinely approves purchases $10,000 and over that have not gone through a bid process (**F7.8**). As shown in **Table 7-2**, the only vendors whose bids were rated were Thomas and Chambers Transportation Companies, and those bids were not presented to the Board with a recommendation. Instead, only the superintendent's recommended vendor was presented to the Board for approval (**F7.16**).

ECCSD Board members do not receive formal, annual training on the ORC and District policies and procedures. According to an ECCSD Board member and the assistant superintendent, Board members are only apprised of issues through presentations and updates at regular Board meetings. Therefore, they are uninformed of significant processes designed to ensure financial accountability. According to SchoolMatch, school

board members should participate in 30 hours of training before being seated on the board. School board members should be able to focus on the following:

- The sound management of the school system's resources,

- The effective use of resources where opportunities for saving funds exist, and

- The education of community members about the connection between managing financial resources effectively and improving educational opportunities for children.

This requires Board members to become educated on laws, policies and procedures, and to ensure they are followed by all Board members and District employees. By not doing so, the ECCSD Board cannot adequately safeguard District resources.

R7.1 The ECCSD Board of Education should undergo training on all District policies and procedures, and all applicable laws. Each newly elected Board member should receive at least 30 hours of training, and the Board should have annual training sessions to ensure that they understand and can enforce the ORC and District policies and procedures. The Board should cease approving purchases that do not comply with the District's purchasing manual and ORC requirements. It should refuse action on all proposed purchases that do not meet statutory requirements.

F7.2 ECCSD's purchasing manual does not sufficiently address the process of managing contracts and agreements with vendors, and it is not user-friendly. Furthermore, the purchasing policies and procedures are not consistently followed throughout the District.

Although the District has a purchasing manual, it does not adequately address the following aspects of managing contracts and agreements with vendors:

- *Specification development for services needed, or defining the product*: The ECCSD purchasing manual (the manual) requires specification development for all purchases $10,000 and over, but specification development is not adequately defined (**F7.6**).

- *Development of Requests for Proposals or Requests for Qualifications*: Although the manual contains a RFP form and a New Vendor Qualification form, it does not provide instructions or requirements for RFP or RFQ development (**F7.7**).

- *Solicitation of bids or price quotes through advertisement*: The manual describes a process for bid solicitation. However, the responsibility for bid development

and review is assigned to a position that does not exist within the District (**F7.3** and **F7.8**).

- *Rating proposals or quotes:* The manual contains a Bid Tabulation Form, but the responsibility for bid rating and review is assigned to a position that does not exist within the District (**F7.3** and **F7.9**).

- *Availability of funds*: The manual does not mention the process for issuing purchase orders for purchases extending beyond one fiscal year, or for issuing of 412 certificates (**F7.10** and **F7.11**).

- *Contract development:* The manual does not address contract development, even though it states contracts are to be developed following the bid process for any purchase of $10,000 and over (**F7.12**).

- *Reporting requirements and performance monitoring:* Because ECCSD's purchasing manual does not address contract development, it also does not address reporting requirements or vendor performance monitoring (**F7.13** and **F7.14**).

- *Contract termination or closeout*: The manual does not detail the steps for contract termination for unsatisfactory performance or for not following contract terms. It also does not address the process for closing out a contract (**F7.15**)

In addition to the absence of essential contract management processes, ECCSD's employees do not consistently follow purchasing processes as described in the manual. According to the purchasing agent, there is no consistent enforcement of the contract management process, especially in the area of purchasing approval and oversight. The purchasing agent also stated that some District employees do not follow established purchasing policies and procedures, as well as State and federal guidelines, to secure specific vendors or consultants. In doing so, vendors or consultants are sometimes hired without bidding or having a contract even though the services or goods they provide to the District total over $10,000 (**F7.8** and **F7.12**). The purchasing agent indicated that advertisements for bids only occur when she is involved in the purchase. The other submissions of price quotes or proposals are handled without her knowledge, and therefore outside the established purchasing system (**F7.3**). The purchasing agent indicated that she is not aware of the other purchases until they are in requisition form and placed on the Board's agenda.

ECCSD's purchasing manual is not user-friendly. In some areas, it covers processes not relevant to, or useable for, authorized purchasers within the District. Procedures contained within the purchasing manual, in some instances, describe the process too

generically and do not detail each step in completing a purchase. Some procedures are buried in overall purchasing philosophies. For example, the manual does not clearly define the authorized purchasers in the District. Further, the manual describes the bidding process in detail, but the rest of the contract management process is not addressed.

According to the Voinovich Center for Leadership and Public Affairs at Ohio University, effective contract management assures the community that taxpayer dollars are being spent strategically and wisely, which includes control over what is to be purchased, by whom, for what purpose, with what results, and at what price. To meet this responsibility to the community, the purchasing authority must be able to demonstrate consistent, fair and objective practices, and not be subject to charges of favoritism or bias in the selection, compensation, or evaluation of service providers. Professionally developed policies and the consistent use of contract administration procedures provide these assurances to the community.

The purchasing manual for the Cleveland Heights-University Heights (CH-UH) School District provides a good example of a user-friendly manual that explains who oversees purchasing, defines the process, and delineates the basic purchasing steps. Additional items covered in the manual include emergency purchasing, blanket purchasing, and receiving purchased items. Examples of blank and completed forms are provided in the CH-UH manual. A helpful, general guideline on all purchasing processes with references to applicable Ohio Revised Code (ORC) sections is also included.

Without clearly defined internal controls such as comprehensive policies, clearly defined and effective management oversight, and sufficient training, scarce and limited public resources are at increased risk. Consequently, the District cannot ensure that its resources have been used in a manner that meets legal requirements and achieves the intended results.

R7.2 ECCSD should revise its purchasing manual to adequately address procurement policies and procedures for the District, especially those relating to the management of contracts.

The District should develop and enforce an effective contract management system that includes:

- Setting performance standards and outcomes;
- Negotiating contracts;
- Monitoring performance; and
- Evaluating the results.

The District should also implement controls so that the purchasing policies are consistently and sufficiently followed by all employees. These controls and processes

should be detailed in the District's manual. ECCSD should update its manual into a condensed, user-friendly document more like the CH-UH purchasing manual. Since many authorized purchasers are outside the Purchasing Department, making the manual more user-friendly will help to ensure greater understanding and compliance. The National Institute of Governmental Purchasing can offer guidance on developing effective purchasing polices, and the Voinovich Center for Leadership and Public Affairs has developed a contract management manual that can serve as an example for comprehensive contract management procedures, as outlined in **Appendix A**.

Once the updated manual is completed, reviewed by legal counsel, and determined sufficient by the Board and Financial Planning and Supervision Commission, ECCSD should form a team to manage the implementation of controls, including purchasing tasks and processes. Members of the team should, at a minimum, include the District's treasurer, superintendent, and purchasing agent, or their designees. This team should also be responsible for training all employees, especially department heads and building supervisors, on the District's updated manual. Periodic training should occur whenever the purchasing manual is updated, or when staff has trouble following the manual.

F7.3   ECCSD's purchasing manual assigns significant responsibility to a position that does not exist within the District. The director of business services is named as the primary purchasing and contract management authority, but that position has never been posted or filled since the creation of the manual in November 2000.

The manual states that the director of business services is required to assemble proper specifications and make the necessary arrangements for public bidding and price quotes. However, in practice, these procedures are often not followed because policy oversight and enforcement is inconsistent and diffused through the District. As an example, ECCSD's purchasing manual states that all purchases over $10,000 require a public bidding process unless the purchase is conducted through the Ohio Cooperative Purchasing Program. In instances where public bidding is not required, the purchaser is obliged to attach evidence to the purchase order to legitimize why the standard procedure was not followed. All of the vendors in **Table 7-1** provided services totaling more than $10,000, and according to District policy, should have been subject to public bidding; however, only two vendors received the work as a result of bids.

According to the District's purchasing agent, the duties and responsibilities of the director of business services were absorbed under her job description. In addition to the purchasing agent's assistant treasurer responsibilities, which include grant management, her contract management-related duties and responsibilities are described as the following:

- **Assume responsibility for the administration of the District's purchasing manual**. Although the purchasing agent assisted in its development, no revisions, updates, or formal training has occurred.

- **Obtain and study comparative prices and quotations**. The purchasing agent acknowledged performing this function, but only when she is aware of the purchase.

- **Purchase by competitive bidding, informal quotations and negotiations, and in compliance with Board policy, items necessary for the operation of the District**. The purchasing agent confirmed that when she is aware of the purchase, this function is performed.

- **Assume responsibility for the development of procedures for obtaining and supervising all contracted services.** The purchasing agent explained that when she is aware of the purchase, this function is performed.

Since the purchasing manual was never updated to reflect the changes in the purchasing agent's responsibilities, the purchasing agent does not have authority over these duties and they are diffused throughout the District without central coordination by one responsible position. The purchasing agent has indicated she is often bypassed in the contract management process and may hold insufficient authority to enforce District policy.

Structuring a purchasing department, or business office, in a centralized fashion allows for more effective oversight of the purchasing process and reduces opportunity for abuse, noncompliance, or fraud. At the Euclid City School District, the Business Office, which functions under the direction of the superintendent, is responsible for overseeing and ensuring adherence to purchasing internal controls. The Business Office is a centralized department within the school district that includes the director of business, supervisor of building operations, supervisor of transportation, supervisor of security, and warehouse purchasing. All support services purchasing must go through the director of business; however, the treasurer approves all requisitions and purchase orders.

Clearly identifying roles throughout the contract management process also helps to eliminate ambiguous responsibilities and inconsistent processes. The CH-UH School District developed a form that outlines the responsibilities for each stage of contract management process and the ORC requirements for competitive bidding. Included in the list of positions with contract management responsibility and authority are the treasurer, purchasing department, project manager, the contractor or supplier, and Board of Education. This form serves as a helpful checklist to ensure that the major steps are completed.

Because of the absence of accountability or controls over purchasing, District personnel are able to purchase products and services outside of stated policies and procedures. This could lead to employees using public funds to further their own personal, professional, or other inappropriate goals, and be in violation of the ORC Chapter 121 and Chapter 2921 ethics statutes which, in part, address the purchasing of goods and services from family, friends, and associates.

R7.3 The District should clearly define the employees that are responsible for purchasing and contract management functions in its updated purchasing manual, and state their authority to enforce the policies and procedures throughout the District (**F7.2**). By following Euclid City School District's example, ECCSD should include contract management in the responsibilities of departmental and building supervisors. When including members formally outside the contract management system, ECCSD should expand their purchasing knowledge through training and experience, strengthen compliance and consistency issues, and reduce the possibility of abuse and neglect.

Additionally, ECCSD should consider developing a form outlining the responsibilities for each stage of the contract management process, aspects of which may include the treasurer, purchasing agent, the contractor or supplier, building supervisors and department heads, the superintendent, and the Board of Education. Once responsibilities are assigned, it is the task of building supervisors, department heads, the treasurer, the superintendent and the Board to ensure that contract management policies and procedures are accurately followed, and exceptions are not permitted. ECCSD should require the completed checklist to accompany purchase orders and requisitions. The checklist should include any supporting documentation necessary to demonstrate compliance with the District's policies.

Vendor Selection

F7.4 ECCSD does not have a formal methodology for determining when services should be performed internally using existing staff, or when to contract for those services with an appropriate vendor. According to the treasurer, each department representative or supervisor is responsible for determining whether to contract out for services or perform the services in-house. The treasurer stated that she is not involved in the decision-making process associated with outsourcing work.

The supervisor of facilities and grounds bases his decisions to outsource services on the qualifications and availability of District staff, and if performing the work in-house could increase the District's liability. However, these decisions are not supported by any analytical documentation. Additionally, as indicated within in the **facilities section** (**R4.38**), the facility and operations department does not have a formal methodology for evaluating the need for purchased or contracted services.

According to International City/County Management Association, (ICMA), local governments such as school districts, are increasingly relying on private contractors to provide public services, many of which were previously provided in-house. It is essential that local government officials base their decisions to provide services either in-house or by outside contract through a process that is practicable and as impartial, rational, and formal as possible. Comprehensive needs studies, which compare the total cost (salaries, benefits and materials) of providing the service in-house to the total cost of contracted services, is one route for determining the appropriateness of outsourcing.

According to the National Institute of Government Purchasing, a formal methodology for determining when to contract out for services should include the following:

- Determine how work performance would be evaluated;

- Analyze the cost for providing the service in-house and by contract, considering the advantages and the disadvantages in both cases;
- Determine if in-house delivery is a feasible option, develop an in-house bid or proposal on behalf of the department that is providing, or would provide, the service;

- Determine if contract delivery is a feasible option, develop a solicitation document and obtain offers (e.g., bids or proposals); and

- Evaluate both the in-house offer and the offer of the best qualified private contractor, in order to select the best provider.

Because there is no formalized system or methodology for researching purchased services, the District is not assured of obtaining the most efficient and economical services. Also, not having a formal methodology for evaluating purchased services may result in the District purchasing services that could otherwise be performed in-house with existing personnel.

R7.4 The District should develop a formal methodology to determine if services can be provided in-house, or if they should be outsourced. This methodology should be formalized in District policy and included in the purchasing manual. In the case of requests for outsourced services, a form detailing the decision making process and final recommendation of the requesting party should accompany any such request.

The District's methodology should be similar to a comprehensive needs study, and should be performed prior to contracting out for any services that could be performed in-house. Approval and review processes should be developed to include the purchasing agent, the treasurer, the superintendent and the Board to ensure accountability and consistency. To

ensure adequate internal controls, the District should have more than one person approving and reviewing each comprehensive needs study.

F7.5   ECCSD has created a duplication of effort within the owner's representative function for its Ohio School Facilities Commission's (OSFC) Classroom Assistance Construction Project. In the past four years, ECCSD has had three separate companies serve as the owner's representative during the Classroom Assistance Construction Project. Meanwhile, it was part of the director of facilities and operation's job description to fulfill this responsibility. The District has spent over $662,000 on owner's representative services since 1999.

The director of facilities and operations, building program manager (both District employees), and owner's representative (consultant) all participated in project management functions, attended the same meetings, and reviewed change orders relating to the Classroom Assistance Construction Project. Only the director of facilities and operations had a more comprehensive level of responsibility beyond the Classroom Assistance Construction Project. However, the director of facilities and operations retired on July 31, 2003, and the District has not yet determined if this position will be filled. The building program manager and the owner's representative, Dodson and Associates, continue to perform the same roles.

The District created the position of director of facilities and operations to focus on educational building needs as the Classroom Assistance Construction Project progressed, and to supervise the daily operations and maintenance of the facilities. The director of facilities and operations was hired on August 2, 1999. The director of facilities and operations' job description states that the "position is the primary contact between the school's administration and all parties involved in the construction projects for the District." The salary of the director of facilities and operations was approximately $90,000.

The District also hired a Classroom Assistance Construction Project representative (owner's representative) to work with the architects and construction manager to move the project along. In 1999, the District hired Ozanne Construction Company/Harold McNeal (DBA CM Diversified LTD) as the owner's representative to function on behalf of the Board for the Classroom Assistance Construction Project. The District paid Ozanne approximately $69,000, and Harold McNeal $16,600 for services rendered. On March 27, 2000, the Board rescinded the resolution for Ozanne Construction Company/Harold McNeal. At the same meeting, the Board recommended the appointment of Turner Construction Company as owner's representative. Turner was paid $94,500 for its services. The District never solicited bids for the owner's representative services as required by the ECCSD purchasing manual (**F7.8**).

The Board, at its April 9, 2001 meeting, appointed Dodson and Associates as project manager for the Classroom Assistance Construction Project without soliciting bids for the service. However, the District paid Dodson and Associates approximately $25,600 before the resolution was passed. The Board resolution stated that as project manager, Richard Dodson (owner of Dodson and Associates) is to be paid $72.00 per hour, not to exceed $125,000. However, according to District records, Dodson and Associates was paid approximately $332,000 from January 18, 2001 to August 29, 2003, but has not had a contract with the District, nor has a Board resolution approving additional payment over $125,000 been passed (**F7.12**). The District has allowed expenditures to occur before a resolution was passed and beyond the amount approved by the Board.

The Board also hired a building program manager as an employee of the District on April 9, 2001, at an annual salary of approximately $88,000. According to the Board resolution, the program manager has authorization to approve change orders under $25,000 for the District, thereby also serving as an owner's representative for the District. Although the District's building program manager does not have a job description, it has been stated by the OSFC representative that this person is also performing duties similar to Dodson and Associates.

According to the OSFC representative to ECCSD, it is unusual to have two owner's representatives working on a Classroom Assistance Construction Project at the same time. Typically an owner's representative is a district employee, such as the superintendent, or an owner's representative that is hired to represent a district's educational building interests.

The duplication of work and payment to the owner's representatives demonstrates an absence of accountability, control and oversight over the owner's representative functions performed on the District's behalf during the Classroom Assistance Construction Project, and an inefficient use of funds.

R7.5   The District should eliminate the duplication in owner's representative functions. ECCSD should decide if the owner's representative should be a District employee or an outsourced consultant, not both. If the District decides it should be an employee, it should eliminate the building program manager position, and allocate those responsibilities as they are currently specified in the director of facilities and operation's job description. Merging positions with similar responsibilities will provide the District with a more centralized operation for maintenance and construction of buildings and facilities. The District should advertise for the position of director of facilities and operations to seek qualified applicants who have experience writing bid specifications, contract management, and supervising and directing all facility construction and maintenance operations. If the ECCSD decides the owner's representative should be an

outsourced consultant, it should develop a RFP, accept bids, choose the most qualified vendor at the lowest cost, and develop a contract for the work.

Financial Implication: If the District decided not to outsource the owner's representative functions, it would realize an annual cost savings of $125,000. Additionally, with the elimination of the program manager position, the District could generate annual cost savings of $115,000, including benefits. If the District had one employee serving as its owner's representative, the total cost savings for the elimination of one District position and the elimination of the contracted owner's representative for the District would amount to approximately $240,000 per year.

F7.6   ECCSD does not consistently develop vendor specifications for contracted or outsourced goods and services. Specifications are the means by which districts communicate to potential vendors what is required. They are also the basis by which districts determine whether they have received the product or service requested. Specifications are used as a guide for developing effective RFPs and scopes of service, and determining necessary qualifications in meeting the specifications.

The District's purchasing manual states that specifications should be developed for public bidding of any purchase of $10,000 or more. The manual requires that the authorized purchaser fill out a Request for Bid Form and attach specifications. During the course of the performance audit, auditors were not provided with completed Request for Bid Forms for the vendors listed in **Table 7-2**.

The only specifications the District developed were for security services during FY 2002-03. The District's security specifications outlined the requirements for each school, including the number and type of security guards needed (armed and non-armed), uniforms, liability insurance, certification, letters of reference, training, time and attendance, tax certification, and special event needs. However, the security specifications were not updated for FY 2003-04 to reflect changes in security needs that have taken place during the Classroom Assistance Construction Project.

Although the District developed specifications for security services, it did not follow its purchasing manual requirements for preparing specifications for purchased services with the following vendors:

- The District asked three vendors, including Alarm Core, to write a proposal that included what they thought the District needed for a security surveillance system and the cost. District employees showed the vendors around the schools, but left it up to the vendors to write the specifications.

- Dodson and Associates (outsourced owners' representative) prepared the original, cursory specifications for the Superior modular unit during April 2002. The 23-unit modular classroom needed to be in place by September 2002 to accommodate 350 students during the construction of the new middle school. According to a representative from OSFC, the modular specifications produced by Dodson and Associates were not prepared effectively, resulting in numerous change orders, or changes to the project's original specifications, which significantly increased costs. Upon its completion, the modular unit cost approximately $1.3 million, with more than $500,000 in cost overruns. Additionally, the District had two years to develop the necessary specifications when it started discussing the need for a modular unit during February 2000. However, the specifications were not developed until April 2002, six months before it was to be completed. The District and Dodson and Associates did not prepare effective project specifications in a timely manner, and they did not properly bid for this project **(F7.8)**.

- On July 5, 2000, the president of Evans Newton, Inc. (ENI) developed a proposal for curriculum alignment services, with their own terms and conditions, and sent it to the ECCSD superintendent for approval. The District did not develop its own specifications, but instead relied solely on ENI's proposal for this type of service. The superintendent did not follow the District's purchasing policy **(F7.2)** by authorizing the purchase without using the bid process, and the treasurer did not act in accordance with ORC § 5705.412 by not issuing a Certificate of Available Resources since the proposal was over $500,000 **(F7.11)**.

According to the National Institute of Government Purchasing, establishing scope, classification, requirements and use, and delivery should help to establish effective specifications. At a minimum, a set of requirements should be developed to form service or product expectations. Detailed specifications promote objectivity in evaluating bids and making awards, provide equal access and opportunity among bidders, and encourage competition. Furthermore, detailed specifications provide necessary guidelines from which the District can evaluate the performance of all vendors **(F7.14)**.

By allowing the vendor to prepare specifications, the District may not be receiving goods or services in accordance with its needs or requirements. An absence of written specifications limits the District's ability to evaluate vendor proposals **(F7.9)**, develop binding contracts **(F7.12)**, and determine if the work was performed in accordance with its expectations **(F7.13)**.

R7.6 The District should develop specifications prior to the procurement of all goods and services that cost $10,000 or more. At a minimum, the District should follow its current purchasing manual policy that requires the authorized purchaser to submit a Request for Bid Form with attached specifications for the good or service. Purchase requests that are

not accompanied by a Request for Bid Form should be denied until the appropriate information is submitted. The Board should not approve purchases that have not followed established policies and procedures.

The District should develop policies and procedures for inclusion in the purchasing manual, outlining standard language, and delegating responsibility for the development and review of all specifications. It should develop guidelines in the purchasing manual which illustrate requirements for specifications and identify those responsible for writing or reviewing specifications. (See **Appendix A** on how to prepare specifications.) The District should also eliminate the practice of having the vendors prepare the specifications for the District. This will ensure consistency and accountability, limit excessive change orders, and minimize potential liabilities and conflicts of interest.

F7.7   ECCSD does not consistently develop requests for proposals (RFPs) or requests for qualifications (RFQs) when soliciting bids or price quotes from potential vendors. Although the District's purchasing manual states that all purchases $10,000 and over, are to be submitted to public bidding, the manual does not specify when RFPs should be issued. The purchasing manual also has a New Vendor Qualification Form, in which companies are asked to submit or report information to the District. The manual states that the director of business services is required to make the necessary arrangements for public bidding and price quotations. Although the purchasing agent is responsible for the administration of the District's purchasing manual, she only has been involved with the development of RFPs when she knows about the purchase (**F7.3**). During the course of the performance audit, auditors did not receive any Request for Proposal or New Vendor Qualification Forms for the vendors listed in **Table 7-2**.

The District developed a RFP for security services for FY 2002-03, but it was not in the format specified by the purchasing manual's Request for Proposal Form. The security RFP requested qualifications, proof of bonding, license, and insurance, as well as work expectations and the number of security officers needed at each school building. However, the District did not issue a RFP or a RFQ for surveillance camera services provided by Alarm Core, which led the District to advance the contractor money for supplies to complete the work proposed by the vendor (**F7.6**).

The Voinovich Center for Leadership and Public Affairs recommends that a detailed and formal RFP include the following:

- Cover page,
- Overview of services,
- Table of contents,
- Time table,
- Budget,

- Detailed description of the services that will be performed under the contract,
- Vendor disclosures and a conflict of interest statement,
- Proposal delivery date, and
- Terms and obligations.

All of these should tie into the development of detailed specifications and/or a scope of services. Although each RFP or RFQ will be different, depending on the product or service needed, boilerplate language is necessary to outline common terms, goals and requirements for each vendor to do business with a school district.

By not consistently developing RFPs or RFQs, the District is potentially exposing itself to increased liability, poor workmanship, and unfinished jobs. Furthermore, because the District is not performing a needs analysis (**F7.4**), it cannot adequately establish detailed specifications (**F7.6**) from which RFPs and RFQs are developed.

R7.7 The District should develop a policy and procedure that outlines the RFP and RFQ process to ensure accountability for the purchase of goods and services. ECCSD should always issue RFPs or RFQs when soliciting bids or price quotes from potential vendors for good and services totaling $10,000 and over, or when renewing, updating, or expanding a service currently provided within the District. The RFP and RFQ policy and procedure should accomplish the following:

- Establish qualifications as the basis for selection; (e.g. number of years experience, licensed and certified);

- Specify criteria by which qualification will be judged; (e.g. references that resulted in positive feedback, licensed, bonded and insured) (**F7.9** and **R7.9**);
- Provide for the publication of available work;

- Develop procedures for screening proposals;

- Require that a comprehensive agreed-upon scope of services be the basis for vendor compensation and contract;

- Identify departmental responsibility for administering the process;

- Specify who makes recommendations and who makes final decisions; and

- Assign responsibility for contract negotiations and presentation to the Board for final decision. (**F7.13** and **R7.13**)

The District should also work with its legal counsel to develop appropriate RFP and RFQ language, including terms and conditions, Minority Business Enterprise (MBE) goals (**F7.9**), inspection, and the right to refuse any or all goods and services.

F7.8   ECCSD does not consistently solicit bids as prescribed by ORC § 3313.46 for school construction related projects, and does not consistently follow its own policy requiring a bid process for all purchases $10,000 and over. In several instances, ECCSD employees did not follow its public bidding policies. The District placed an advertisement for only two of the vendors listed in **Table 7-2**, but seven out of ten submitted a proposal, price quote, or qualifications. Therefore, 50 percent of the vendors examined submitted their intent to perform services, but not through the process outlined in the District's purchasing manual. They include Alarm Core, Apple Mobile Leasing, Dodson and Associates, Chambers Transportation and Thomas Transportation.

ORC § 3313.46(A) states in part: "When any [school] Board determines to build, repair, enlarge, improve, or demolish any school building, the cost of which will exceed [$25,000]… the Board shall advertise for bids…" Further, the District's purchasing manual states that all purchases of $10,000 and over must be submitted to public bidding. The following outlines the District's bidding process:

- *Post and advertise*. The bid must be posted in the East Cleveland City Schools lobby bulletin board and advertised in a local, large circulation newspaper for a minimum of 15 days.

- *Bid Opening*. After the 15-day period, bids are to be publicly opened by the treasurer. Prices are to be guaranteed and held for a 60-day period.

- *Board approval and award of bid*. During the 60-day period, bids are to be reviewed by the director of business services and a recommendation made to the treasurer and Board on the winning bid. At this time, the Board may either accept/approve a bid, fully or partially reject a bid, or waive any and all technicalities.

- *Board approval and/or rejection*. If a bid is approved by the Board, an immediate contract is entered into with the awarded bidder. If the bid is rejected, all bidders are notified.

The policy further states the bidding process is applied to transactions on materials and/or services with an estimated annual aggregate price in excess of $10,000. All contracts over $10,000 whether in the form of bid or otherwise, are presented to the Board.

Since the District does not often follow its own bidding procedure for purchases of $10,000 and over, the Board is approving vendors that have been arbitrarily chosen without sound criteria for selection (**F7.9**). Furthermore, the District's current bidding policy is ineffective because it does not appropriately assign responsibility for each step in the process, since the director of business services position does not exist and the purchasing agent is often not aware of purchases (**F7.3**). It is important that the District follow the budget/financial requirements embodied in law and its own policy in a consistent fashion. Doing so will reduce the potential for overspending and the inefficient use of funds that continues to contribute to its fiscal emergency status.

R7.8   ECCSD and its representatives should adhere to the bidding requirements of ORC § 3313.46, and the District's policy for any purchase of $10,000 and over. Since the District is in fiscal emergency, it must strive to obtain all products and services at the best quality and cost. By not following the ORC, and circumventing its own policy, this cannot be ensured.

The District should update its purchasing manual to assign the bidding process responsibilities to the purchasing agent (**R7.3**). Also, the Board should not approve a purchase of $10,000 and over if it has not been presented with the purchasing agent's recommendation and a completed Bid Tabulation Form (**R7.9**). The District should always request price quotes and document the selection process of potential vendors to eliminate the appearance of impropriety, misconduct, favoritism, and bias.

F7.9   The District does not consistently rate or rank vendors that have submitted bids, price quotes or proposals for their services or goods. During the course of this audit, the District could not provide evidence that the vendors shown in **Table 7-2** were ranked or rated prior to selection. Further, no Tabulation of Bid Forms were provided. Because the District does not currently employ a director of business services, the Board is not presented with Tabulation of Bid Forms nor has it requested them when selecting vendors for purchases of $10,000 and over. The Board typically approves vendors without evidence of how that vendor was selected. Furthermore, the purchasing agent does not follow the current bid selection policy as required as part of her job duties (**F7.3**).

ECCSD's policy regarding bid submission and tabulation includes a well-defined system as outlined below:

- The director of business services is responsible for obtaining all bids for purchases in excess of $10,000. The position is also responsible for presenting this information to the Board.

- A minimum of three suppliers is mandatory (five or more are preferred), providing the director of business services is familiar with the market and process

of the material in question. In cases where less than three bids are received, the director of business services will justify the cause of low response via follow up phone calls or similar investigation. These results will be provided to the Board and treasurer with the recommended action.

- After all bids have been received and examined for accuracy, a Tabulation of Bids Form is prepared noting all pertinent data and discrepancies. Determination of the lowest and best bidder is made after all aspects, including a written recommendation indicating the preference of the requestor, have been considered.

- The following factors are considered in reviewing bids and recommending the award of bids by the Board and/or treasurer as appropriate:

  - Price;
  - Bidder's previous record of performance and service;
  - Ability of bidder to render satisfactory service;
  - Quality and conformance to specifications;
  - Bidder's qualifications; and
  - Dun & Bradstreet information.

- The information gathered is kept with the bid/price quote packet as backup documentation. In cases of research for estimates, a copy of each bid response may be sent to the requestor. Suppliers who were not awarded the bid will receive a copy of the Tabulation of Bids along with a letter.

In addition to criteria for making a vendor selection, the Board established Minority Business Enterprise (MBE) goals in 1998, and the District's Equal Opportunity Policy is contained in the purchasing manual. However, they were never incorporated into the bid selection process or communicated to potential vendors (**F7.8**).

By not following District policy, the Board is approving the selection of vendors without questioning how the vendors were chosen. This exposes the District to potential appearance of bias and favoritism. As a result of not following the ECCSD policy on vendor ranking and selection, the Board cannot fulfill its role in the community as an effective oversight body by making fact-based decisions and ensuring that qualified vendors are objectively selected.

R7.9 ECCSD should re-assign the vendor selection responsibilities to the purchasing agent. The Board's MBE goals should be incorporated into the District's award of bid policy along with the established vendor selection criteria in the purchasing manual.

Additionally, the Board should be provided with all vendor qualification documentation prior to passing a resolution approving a vendor. These actions will increase Board accountability and oversight, and will help ensure the District only hires qualified vendors and contractors.

Contract Development and Negotiation

F7.10   As shown in **Table 7-2,** the District did not issue purchase orders (POs) for each fiscal year the services were rendered by Alarm Core, Evans Newton, Inc., Force Security, and RAN Security. However, the District's purchasing manual states that without a signed PO, no payment will be made to the vendor. The policy also states that all POs are required to be reviewed and signed by the superintendent and treasurer.   The State Financial Planning and Supervision Commission is currently reviewing and approving all purchases of $10,000 and over as a component of its financial monitoring responsibilities under fiscal emergency status, and to ensure that all statutes are being followed.

Ohio Administrative Code (OAC) Section 117-2-02 (C) (2) states, "Purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by ORC § 5705.41 (D). Purchase orders are not effective unless the fiscal officer's certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services is made."   The Auditor of State, Local Government Services Section's (LGS) *Report on Accounting Methods* for ECCSD also found that purchase orders have been issued and approved after the date of the invoice.

Obligations that have not been certified, as required, are considered void. No payments may be made on void obligations. Anyone who knowingly executes an obligation contrary to ORC § 5705.412 (G), and anyone who knowingly authorizes or makes a payment of public funds on a void obligation, is liable for the full amount paid on the obligation, up to $10,000. The District is committing to the expenditure of funds without ensuring the funds are available. This absence of accountability has contributed to the District's financial situation.

R7.10   ECCSD should follow the purchasing manual policy, and not issue payment to any vendor without a valid PO.   Furthermore, ECCSD and the Board should adhere to previous LGS and financial audit recommendations to abide by ORC § 5705.41(D), so that the amounts required to meet contract terms are lawfully appropriated and are in the District's treasury or in the process of collection. The Board should not approve any contract without reviewing a signed copy of the purchase order. Likewise, the purchase order should not take the place of a contractual agreement.

F7.11   The fiscal officer does not consistently issue financial certifications as required by ORC § 5705.412 (412 certificates), when ECCSD intends to contract with a vendor for services totaling $500,000 and over. According to the LGS report, several findings were made regarding purchasing activities within the District. The report stated that the District maintains a file of 412 certificates, but does not always attach them to the contracts. Contract funds have also been encumbered based on Board resolutions rather than on signed and certified contracts (**F7.12**). Furthermore, in the financial audit conducted by AOS dated March 2002, the District was cited for non-compliance after finding that the Board approved a personal service contract with Evans Newton, Inc. without issuing the required 412 certificate, since the services were for over $500,000.

According to ORC § 5705.412, a fiscal certificate shall be signed by the president of the Board, the superintendent, and treasurer. If a contract is made without the three signatures on the certificate, it is void. Contracts approved without a 412 certificate indicate an absence of accountability and oversight on the part of the Board, treasurer, and the superintendent. Because 412 certificates and an accurate forecast (see **R2.4**) have not been prepared, the District cannot guarantee that there are sufficient funds available to meet contractual obligations for goods or services. Financial certifications should be issued each fiscal year the vendor does business with the District.

R7.11   ECCSD should follow ORC § 5705.412, and not issue payment to any vendor whose services total over $500,000 without a 412 certificate to ensure that adequate funds are appropriated. The Board should not approve any contract without reviewing a signed copy of the 412 certificate. Likewise, the 412 certificate should not take the place of a contractual agreement.

F7.12   ECCSD does not consistently develop contractual agreements with vendors that perform services for the District. As shown in **Table 7-2,** six of the 10 vendors had signed agreements to do business with ECCSD. Of the vendors that have agreements with the District, there is no consistency between contracts since they are typically generated by the vendor. For example, Force Security has a comprehensive contract detailing services provided and each party's obligations. However, RAN Security Services' agreement with the District was generated by RAN Security, which primarily explains payment methods. Further, Sharon Simmons does not have a contract with the District, but rather, has a third-party agreement which describes services, where and when they are to be performed, and at what cost. Under description of services it simply states, "Evaluation of the Alternative School Grant as evidenced by a final report document."

Alarm Core, Apple Mobile Leasing, Sylvester Bennett[7-1] (**R2.7**)**,** and Dodson and Associates[7-2] did not have contracts to do business with the District. Of these four

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[7-1] The previous vendor, Healthcare Process Consulting, Inc., had a contract with ECCSD for specified services provided August 1, 2001 through October 31, 2001, and was also paid through ESC.

vendors, each provided a service to the District ranging from $42,000 to $129,000 a year. These amounts far exceed ECCSD's own purchasing policy which states that, for any purchase of $10,000 and over, a formal contract must be executed. Further, the Board routinely approves through resolution, the hiring and payment of vendors without a formal agreement or contract (**F7.13**).

Although ECCSD's purchasing manual is very detailed in its description of the bidding process, it does not go into any depth regarding the development of contracts or what should be contained within them. According to the purchasing manual, responsibility for contract development and negotiation is not addressed.

Contracting is one of the most critical steps in the vendor management process, as this is the point where the terms, performance standards and compensation are detailed in a legally binding agreement. Contracts may be thought of as having two components: (1) information on the type, scope, deliverables, performance standards and payment methodology of the purchase, based upon the specifications and the scope outlined in the RFP, the accepted bid, and the results of the negotiation process; and (2) a "boilerplate" section containing standard language included in all District contracts outlining minimum requirements and legal obligations.

According to the Voinovich Center for Leadership and Public Affairs, drafting of a contract occurs after developing specifications, issuing RFPs, bidding, and tabulating bids. At a minimum, contracts should include the following:

- Identify the parties of the contract;
- Detail the terms of the contract;
- Specify the scope of service; and
- List any special requirements.

The contract should detail the performance requirements in a written, and mutually agreed upon understanding of each party's responsibilities. Each component is essential and must be developed with care and professional legal assistance.

By not developing formal contracts on a consistent basis, the District cannot focus on the performance of the purchased services and goods. Without signed contractual agreements, the District may not have effective recourse if the project fails or is not completed in accordance with expectations.

[7-2] Although ECCSD and Dodson and Associates executed contracts on September 4, 2001 and again on June 5, 2003, neither was signed by both parties. On September 8, 2003, a contract was signed between Dodson and the District.

R7.12 ESSD should require contracts for all purchases of $10,000 or more. The Board should cease approval of purchases over the $10,000 threshold if the purchase is not bound by a contract. The purchasing agent or treasurer should work with the District's legal counsel to negotiate, develop, and sign contractual agreements. The District should develop policies and procedures in its purchasing manual outlining the requirements for contract development. In order to satisfy the needs and protect the interests of the District, contracts should have clear language that establishes payment arrangements, reporting requirements, penalties and any other expectations. (See **Appendix A** for the development and contents of an effective contract.)

F7.13 The ECCSD Board of Education does not consistently approve contracts in accordance with statute. According, in part, to ORC § 3313.33, "No contract shall be binding upon any board unless it is made or authorized at a regular or special meeting of such board." As shown in **Table 7-2**, most vendors reviewed during this performance audit were approved by the Board through resolution during the first year of services, but were extended without Board approval. Furthermore, the Board is approving purchased service vendors without the existence of formal contracts (**F7.12**). The District's policy states that only the Board can authorize a contract or award a bid involving an amount of $10,000 or more. However, those vendors that the Board is approving only by resolutions and that do not have formal contracts or agreements, like Alarm Core, Apple Mobile Leasing, Sylvester Bennett, and Dodson and Associates, do not comply with ORC § 3313.33.

The District's purchasing manual does not address the revision or extension of contracts. Additionally, there are no consistent policies or practices for developing Board resolutions for those vendors that have multi-year contracts or have had their contracts extended. This has caused the District to be liable for expenditures beyond those authorized by the Board as outlined below:

- Apple Mobile Leasing submitted a proposal for a 17 classroom modular unit on April, 10, 2002 for $464,000. On April 25, 2002, it revised its original proposal to a 23 classroom modular unit for $566,000. The District accepted AML's proposal without the development of a formal agreement or contract.

- Dodson and Associates have been paid approximately $303,000 during the last three years without a signed contract with the District. No Board resolutions have been recorded approving any additional payments beyond the initial resolution amount of $125,000. (See **F7.5** for information on Dodson and Associates.)

- The Board did not approve a contract or pass a resolution to hire Sylvester Bennett to provide Medicaid reimbursement services to the District (**R2.7**).

The treasurer is responsible for ensuring funds are available for contracted goods and services through the annual issuance of financial certifications (**F7.10** and **F7.11**). If the District is to continue or amend services with a vendor after the term of an agreement, a contract should reflect this. ORC § 5705.41 states, in part, "a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose." Board resolutions are necessary to approve the extended or amended contracts, and by not doing so, the District is not in compliance with Ohio law. Consistent approval of all contracts or agreements through the resolution process is a key part of the Board's professional responsibility.

R7.13 The Board should approve contracts through written resolutions, especially multi-year contracts or contracts that have been extended, and ensure all applicable appropriations meet ORC § 3313.33 and ORC § 5705.41 requirements. All contracting decisions, including continuations, should be reflected in Board minutes and resolutions for any vendors doing work on behalf of the District.

Performance Monitoring & Reporting

F7.14 ECCSD does not consistently review invoices for work performed by vendors, nor does it require performance reporting from its vendors. The District also lacks specific policies regarding the review of invoices, or the evaluation of vendor performance, prior to payment. In many instances, as shown in **Table 7-2**, the District is not developing formal contracts or agreements with vendors (**F7.12**). Without an agreement or contract that outlines performance requirements, the District cannot monitor, evaluate vendors' work performance, or take legal action against any vendor for not abiding by specifications or not completing the project.

The following recurring issues were found involving inconsistencies in invoices, and incomplete or inaccurate work reports during FY 2002-03:

Dodson and Associates

- Work performance reports did not match invoices.
- Invoices do not have a specific time period indicated for the expenses.
- Work performance reports do not include the hours billed even though the vendor is paid on an hourly basis.
- Invoices include charges for "expenses" but no detailed accounting of the expenses is included, nor are receipts for the expenses submitted to the District.

Apple Mobile Leasing

- Work and payment was approved by third-party contractor (Dodson and Associates), not the District.
- Cost overruns increased the expense of the project by 236 percent.

Sylvester Bennett

- Invoices do not detail the work performed or support the cost associated with the vendor.
- The vendor has not met Health Insurance Portability and Accountability Act (HIPAA) compliance for Medicaid billing.
- The vendor is only seeking reimbursement for five of twelve Medicaid-eligible services, reducing potential reimbursements (**R2.7**).

According to the Voinovich Center for Leadership and Public Affairs, routine performance measurement lies at the core of contract management. Vendors need to report on several issues related to compliance, involving at minimum, services, expenses, and outcomes. Vendor performance reports are used to prepare monthly updated summary reports of billing, service delivery, and outputs. The process is designed to be routinely completed on all purchase of service contracts immediately following the service delivery month. The responsibility to perform this function must be clearly assigned to personnel, with resulting reports routinely shared with upper management. The resulting summary reports are valuable for the following reasons:

- Monitoring vendor performance;
- Preparing status reports for internal and external communications and accountability; and
- Conducting year end analyses for future purchase decisions.

By establishing standard policies and procedures for reviewing and processing of vendor invoices and work reports, the District can properly ensure that services are being performed in accordance to contract specifications. Because ECCSD has not monitored vendor performance, project completion, or invoicing, it is unable to ensure that public funds are spent in a responsible manner consistent with Ohio law.

R7.14 The District should develop and implement policies and procedures that require the review of invoices and the submission of performance reports by vendors. Policies and procedures should define specific documentation required from vendors, and identify levels of internal and external communication and reporting. In addition, the District should establish language in all vendor contracts summarizing performance reporting and review expectations specific to the services or products being provided. If vendors do not

comply with the reporting requirements, payment should be withheld. If the failure to report continues, their contracts should be terminated. Termination for breach of contract, including an inability to demonstrate adequate work performance, should be included in all contracts. Also, the District should identify and train those individuals responsible for review of vendor performance reports to ensure effective oversight (**Appendix A**).

F7.15 ECCSD does not have policies and procedures requiring the formal monitoring of vendor performance. Therefore, the District has no way of knowing if a vendor has performed according to contractual or agreed upon terms. Without a policy or centralized system for tracking vendor performance, the District may unknowingly approve, renew, or extend a contractual agreement for a vendor that has inadequately provided goods or services. ECCSD also does not include vendor monitoring responsibilities within the appropriate employees' job descriptions. Additionally, ECCSD does not have a formal policy for communicating vendors' performance with the Board, which prevents the Board from making informed decisions regarding vendor approval.

The 1999 Performance Audit identified weaknesses in the monitoring of vendor performance. The District has neither improved its monitoring process nor developed related policies and procedures, as further summarized in **R2.34** within the **financial systems** section.

According to the Voinovich Center for Leadership and Public Affairs, there are three key types of vendor performance measures:

- Fiscal performance measures;
- Service delivery performance measures; and
- Output effectiveness performance measures.

These three measures will help to clarify expectations for vendors, specify their performance targets, and set the parameters for their monthly, weekly or daily performance reporting requirements. Not only are they useful in terms of providing guidance to vendors on reporting requirements, but they also form the basis upon which to monitor and evaluate the vendor's performance and compliance.

The lack of formal monitoring policies and procedure that link monitoring responsibilities to District employee job descriptions, and the failure to formally document monitoring efforts hinders ECCSD's ability to make informed vendor selections. Likewise, the Board remains uninformed about vendor performance and may inadvertently select vendors with past histories of poor performance.

R7.15 ECCSD should develop and implement policies and procedures to formally and consistently monitor vendor performance. At a minimum, the District should be using the

vendor monitoring fields available in the USAS system (**R2.34**). Ultimately, the District should have its own vendor tracking system, using a spreadsheet or other electronic medium that will allow it to make more informed decisions when renewing or expanding vendor contracts. All vendor performance reports should be formally tracked and documented for future use (**R7.14**).

Policies and procedures for inclusion in the District's purchasing manual (**R7.2**), as well as defined vendor monitoring responsibilities within job descriptions, should be developed and implemented. Further, reviews of vendor performance should include the following:

- Quality of goods and services;
- Timeliness of deliveries;
- Functions being performed;
- Supplier's responsiveness to problems;
- Instances when goods are continually out-of-stock;
- Instances of price variances between catalog and invoice; and
- Complaints concerning vendors expressed by users of the products and services.

The District should also develop policies for the effective communication of vendor performance and reporting to the Board throughout the duration of a project, or when a vendor's contract is about to be renewed or extended. Developing effective policies and procedures for monitoring, reviewing, auditing, and reporting vendor performance will provide the District with the mechanisms for establishing consistency and accountability. Additionally, should questions regarding vendor selection or performance be raised, ECCSD will have ample documentation to support contracting decisions. Furthermore, developing a formal vendor monitoring process will help to eliminate the potential for misconduct, impropriety, favoritism and bias. (See **Appendix A** for performance monitoring systems.)

Contract Closeout

F7.16 ECCSD does not have policies and procedures for terminating or closing out contracts with its vendors. Furthermore, ECCSD is awarding final payment to vendors when the work is not completed according to specifications. The District did not perform any formal termination or close-out procedures involving various vendors, as shown in the following examples:

- The District provided final payment to Apple Mobile Leasing even though it did not perform a detailed final inspection on the construction. According to the director of facilities and operations and Whitley and Whitley, the modular unit's

architect, the work as specified in Apple Mobile Leasing's proposal was not completed in a manner consistent with the District's specifications.

- The District terminated its relationship with the prior Medicaid/CAFS reimbursement consultant without explanation. Upon a review by AOS, this consultant obtained higher reimbursement amounts for ECCSD than the current contractor, and continues to successfully perform similar work for surrounding districts. Furthermore, the prior contractor is prepared for HIPAA changes (**R2.7**).

- Thomas Transportation was selected by the Board under a three-year contract. At the end of the three-year term, Thomas Transportation was selected as the vendor of choice by the director of pupil personnel services. However, the superintendent overrode this recommendation prior to submission to the Board because of issues surrounding Thomas Transportation's difficulties with the Internal Revenue Service, resulting in the director submitting the next vendor on the list (Mia Transportation). However, this vendor was terminated for failing to deliver services on the first day of school, resulting in the Board awarding the contract to the third vendor on the list, Chambers Transportation.

Although the District has policies within its manual for receiving and inspecting goods, this policy is not enforced. Further, the District does not have policies or procedures for terminating contracts based on poor service performance. Finally, the District does not have documentation to support the termination of past vendors who appear to have performed better than current vendors (**F7.15**).

According to ICMA, the contract close-out phase in the purchasing process ensures that all parties to contracts or agreements meet their obligations with respect to delivery and performance, inspection and testing, and payment. Contract terms must clearly show when items are to be delivered or services are to be performed. Among the terms that must be addressed are the point, date, and time of delivery; different delivery places and receiving times, if appropriate (e.g., if more than one item is covered by the contract); and liquidated damages, if any, for non-delivery or late delivery. ICMA recommends governmental units establish policies and procedures for the following:

- Checking goods at the time of receipt to assure compliance with specifications;
- Developing requirements for quantities and packaging; and
- Detecting damage or defects.

Without criteria for terminating or closing out contracts, ECCSD may continue to do business with vendors that perform inadequately or ineffectively, or miss the opportunity to keep doing business with efficient and effective vendors.

R7.16 The District should develop and implement policies and procedures for terminating or closing out contracts with vendors. The District should establish criteria by which contracts will be terminated and the process for termination, including Board approval through formal resolution. This will ensure consistency in the efforts to choose the vendors providing the District with the best quality and cost.

The District should also establish a review and reporting mechanism prior to final payment to ensure that all services and goods were delivered in the quality and quantity specified by the District. The treasurer should be responsible and accountable for ensuring that the District's monies are not released prior to services being delivered by the vendor, in accordance with the contract specifications. The policies and procedures should be included in the purchasing manual to ensure continuity with the procurement processes. Finally, the purchasing manual should be updated to ensure that receipt and inspection of goods is conducted by a current employee in a central location in a consistent manner. (For more information on contract close-outs, see **Appendix A.**)

APPENDIX A

Contract Management Process Detail

Vendor Selection:

I.   The manager requesting the purchase should develop a cost benefit analysis for performing services in-house vs. contracting by following the five-step process developed by the National Institute of Governmental Purchasing, Inc.:

    1.   Define the service in terms of the jurisdiction's broad goals, its specific requirements, and how the performance of those requirements will be evaluated;

    2.   Establish a case for providing the service in-house and by contract, considering the advantages and the disadvantages in both cases.

    3.   If in-house delivery is a feasible option, develop an in-house bid or proposal on behalf of the department that is providing, or would provide, the service;

    4.   If contract delivery is a feasible option, develop a solicitation document and obtain offers (e.g., bids or proposals); and

    5.   Evaluate both the in-house offer and the offer of the best qualified private contractor, in order to select the best provider. (See **F7.4**)

II.   The manager requesting the purchase should develop specifications for services needed. The National Institute of Governmental Purchasing, Inc. defines specifications as "a concise statement of a set of requirements to be satisfied by a product, material, or process." There are several types of specifications, including performance specification and item specification. Regardless of the type of specification being developed, guiding principles and criteria should include:

- Identifying minimum requirements;
- Allowing for competitive bid; and
- Providing for an equitable award at the lowest possible cost.

To assure that specifications meet these criteria, the following may be used as a checklist. A specification should be:

- Simple but exact;
- Identified with terms used in the marketplace;
- Reasonable in its tolerances (unnecessary precision is expensive and restrictive);
- Capable of being met by several bidders for the sake of competition; and
- Clear and understandable. (See **F7.6**)

Developing specifications is an important responsibility and is considered the most difficult function in the purchasing process. It is wise to build a team of resource people to help provide and collect information in the development of specifications. For the District, this team may include the purchasing agent, the treasurer, and manager of the area requesting the purchase.

III.   The purchasing agent should issue a Request for Proposal (RFP). (See **F7.7**) According to the Voinovich Center for Leadership and Public Affairs at Ohio University, the following should be completed at this stage:

1.   The District should form a team to manage the development of the tasks and processes related to the solicitation of competitive proposals. Representation on the team should include a manager from the area the vendor will serve; fiscal; and legal.
2.   A team leader should be identified to manage the effort of creating the RFP and determining the evaluation of the proposal, taking into consideration price and other criteria listed in the proposal.

The following items provide guidance concerning the standard content of a well constructed RFP:

1.   **Cover Page**. The cover page identifies the services the District is soliciting, the purchasing agency, and the date the RFP was issued.

2.   **Overview**. This section should include a very brief description of the District and the services that it is seeking. The District should consider posting the RFP on a website.

4.   **Table of Contents**. This section assists potential vendors locate specific sections in the RFP.

5.   **Time Table**. The team should create a time line to ensure the RFP process moves from release to implementation as promptly as possible. Key milestones include preparing the RFP, advertising dates, the deadline for opening bids, the deadline for questions and answers, and the deadline for evaluating and awarding the bid.

6.   **Budget**. Request that vendors submit a budget outlining anticipated expenses for the project or service. The budget will vary with the service being bid, but salary, health insurance and retirement benefits for employees providing the service will likely be included. Indirect costs such as a share of office space, payroll preparation, clerical and administrative support, utilities, supplies are all common.

Transportation expenses and copying expenses are also items that may be included in a budget. Be sure to review the budget carefully making sure the expenses support the bid amount.

7. **Services**. This section gives a detailed description of the services that will be performed under the contract. The person who prepares and monitors contracts at the District must be involved along with the purchasing agent, or other designee.. Potential contractors must be able to understand what is expected of them from the information in this section. The service description should clearly identify:

- The type of service;
- The targeted customer group;
- A range of the volume/amount of service expected to be delivered;
- Service delivery and output-effectiveness performance level expectations; and
- Other important special requirements related to service delivery.

8. **Presentation to Bidders**. If the RFP is complex, it may be necessary to hold a pre-proposal submission meeting for potential providers. Attendance at this meeting could be mandatory for all prospective bidders, but this requirement must be so-advertised. During this conference, attendees' questions can be answered and terms of the proposal clarified. The presentation provides an opportunity to:

- Review the requirements;
- Facilitate a clear understanding; and
- Promote competition.

The District should have staff present to answer technical questions. An attendance roster should be created for this meeting to collect the names and contact information for follow-up information sharing.

9. **Written Questions**. Give vendors the opportunity to submit questions in writing. Be sure to include deadlines for submitting questions and for the District's responses.

10. **Vendor Disclosures and Conflicts of Interest**. The vendor disclosure requires potential contractors to inform the District whether their company is currently party to any litigation. The conflict of interest section warns vendors not to attempt to influence District personnel regarding the selection process, as well as any other inappropriate relationships as described in Ohio ethics law.

11. **Vendor Examination of the RFP**. This section admonishes potential contractors to read the RFP and make sure they understand it. It also gives them a chance to consult with the District if they discover problems in the RFP as it is distributed.

12. **Changes to the RFP**. IF the RFP is changed as a result of the pre-proposal conference, vendor questions, or errors, the District's staff must agree to send changes to all vendors who registered their interest in the RFP.

13. **Availability of Funds**. This indicates that any contracts resulting from the proposals submitted by vendors are contingent on the availability of funds. This is an important disclaimer.

14. **Preparing the Proposal**. This instructs potential vendors to make their proposals clear and responsive to the RFP and indicates that the proposal becomes the property of the District.

15. **Proposal Cost**. This informs vendors that the District will not reimburse their costs for preparing their proposal.

16. **False or Misleading Statements**. Vendors are cautioned to be truthful and candid in their proposals.

17. **Vendor Representative Signature**. The proposal must be signed by a person authorized by the vendor.

18. **Proposal Delivery**. This section identifies the date, time and address at which the District must receive the proposals. It should mphasize that there are no exceptions to this deadline.

19. **Acceptance and Rejection of Proposals**. Vendors are notified by the evaluation team that the District has the right to reject any, or all, proposals.

20. **Evaluation and Award of Contract**. The District describes how it will evaluate proposals. The first step is to eliminate non-responsive proposals. The final review team takes those proposals that meet the basic criteria and evaluates them according to the process the evaluation team has developed.

21. **Proposal Selection**. This section outlines how the proposals will be selected. The Purchasing agent, and possibly legal counsel, should play a role in the selection and contracting process.

22.   **Terms and Conditions**. Remind vendors that the RFP is a contractual obligation.

23.   **Type of Contract**. The vendor may have options in fulfilling the contract, as long as the end result is agreed upon between the vendor and the District.

24   **Contract Period, Funding, Invoicing**. This covers the length of time the contract will be in effect. Any language regarding renewing the contract, billing format, and payment should be inserted here. If there is a set dollar amount that the proposal cannot exceed, it should be clearly stated.

25.   **Confidentiality.** If the vendor will have access to any confidential data, the vendor has a duty to keep that information confidential.

26.   **Project Overview.** This is the section where the proposed vendor purchase begins and should be kept very general.

27.   **Vendor Project Requirements.** The District should consider the following:

- Does the vendor and its staff need to meet particular qualifications (e.g., in education, licensing, or certification)?
- Does the vendor have the facilities to provide the service?
- Must the service be offered in a specific location? If so, can the vendor provide the service where the need exists?
- Does the vendor have the staff already, or will it hire contingent on getting the bid?
- Has the vendor successfully provided this type of service before? If so, who were its customers?

28.   **Scope of Service.** What service does the District need? The District, including the purchasing agent, or other designee, and a fiscal and legal representative, should compare the original specification outlined in the beginning of this process with the RFP to ensure that services are within the scope of the actual need.

29.   **Project Deliverables**. The purchasing agent, or other designee, and/or the purchasing agent should describe the performance expectations of the vendor and this must be included in the proposal submission. There should be four expectations of the vendor:

- The quantity of the service delivery;
- The quality of service delivery;

- The quantity of output-effectiveness; and
- The quality of output-effectiveness

30. **Reporting Requirements**. The District's purchasing agent should clearly identify the vendor reporting requirements. At a minimum, this should include monthly reporting of data related to any performance measures included in the contract.

31. **Budget and Allowable Costs.** The District's purchasing agent should clearly identify in the RFP any requirements for the format and content of a budget to support the service proposal if this is an important element of the proposal evaluation process.

32. **Instruction for Submitting Proposals**. Include instructions for potential bidders with the RFP.   The instructions need to identify the format for proposals, how many copies to send, and when and where to send them.

IV.   Rate or grade the proposals and/or quotes and keep records on how the vendor was selected. This should be completed by the manager requesting the purchase or the evaluation team as described in the first step of the RFP process. (See **F7.7**)

Contract Development and Negotiation:

V.   The Board must formally approve all vendors via resolution. (See **F7.13**)

VI.   **Develop the Contract.** (See **F7.12**) According to the Voinovich Center for Leadership and Public Affairs at Ohio University, the manager requesting the purchase or the purchasing agent, in consultation with legal counsel, should develop the contract, ensuring that the following elements are addressed.

1.   Clearly identify the **parties of the contract**.

2.   **Terms of the contract**. The beginning and end dates of the contract must be indicated in the contract. These will be customized for each contract and are the result of information obtained from the RFP and negotiation process.

3.   **Scope of Service**. The District needs to communicate clearly what the District is purchasing through the contract. A detailed description of services that are to be provided by the contractor must be included in the contract. The contract should clearly spell out:

- The type of service or product being purchased;
- The deliverables;
- The indicators to be used in determining if the goals of the contract are being met;
- Any benchmarks to be used in establishing performance targets for compensation; and
- Reporting requirements, including how, and to whom, the contractor is to report back to the District.

The responsibilities of both the District and the contractor should be delineated in the scope of service section.

4. **Special Requirements.** In addition to the normal description of services and deliverables, there may be other special requirements that the district wants the contractor to address. These requirements must be identified in the contract in order for them to enforceable.

Performance Monitoring and Reporting:

5. **Performance Standards/Measures**. (See **F7.13**) The District needs to focus on exactly what results are expected and they must be included in the written agreement. Performance standards for contracts vary on the basis of several key factors: complexity of the contract, sophistication of the contractor, needs of the program, and the potential risk/loss for the District. Performance standards should:

- Illustrate impact;
- Be specific and definable;
- Set benchmark criteria;
- Identify the source of data;
- Designate frequency; and
- Have financial impact.

The outcomes or standards must be realistic and objective. They must be measurable and the data to measure the result must be available.

6. **Reporting Requirements**. The contract should identify the reporting requirements of the contractor on both compliance measures and performance measures. For each of the performance measures negotiated in the contract, there must be monthly reporting of the contractor's experience on the measure.

7.   **Compensation.** This section of the contract must indicate both the maximum total compensation to be paid by the District to the contractor if all terms of the agreement are met, and the method of payment, whether on a service delivery per unit, or performance basis. If the compensation is related to an approved budget, the approved budget should be attached as an addendum to the contract.

In addition to the maximum compensation to be paid, the contract should indicate how the contractor will bill for the services or product provided, how the contractor will be paid, and how any special needs such as start-up costs will be addressed. The purchasing agent should ensure that this step is completed.

8.   **Availability of Funds.** It is essential that the District's treasurer limit its liability to pay for services, dependent upon the availability of funds. The contract should allow the District to amend or terminate the agreement if there is a reduction in funding beyond its control.

9.   **Evaluation and Monitoring.** (See **F7.14**) The contract should address the responsibility of the District to perform monitoring and evaluation activities, and the contractor's responsibility to cooperate with the activities.

10.   **Record Retention.** The contract should specifically address the retention of records including the types of records to be maintained and long they are to be kept. When writing this section, it is also important to keep in mind how this contract will be audited at a later date.

11.   **Amendment Process.** Amendments are made to update the contract terms that have changed since the original contract document was negotiated. The District, along with legal counsel, should review the contract for previous amendments. If this is the first amendment, so indicate. Any subsequent amendments should follow numerically.

12.   **Termination.** (See **F7.14**) The contract should contain language addressing the ability of either party to terminate the agreement and the notification and other requirements associated with termination.

VII.   Invoices and work report summaries should be reviewed, approved, and signed off by the manager in charge of the contract. (See **F7.13**)

VIII. Vendor monitoring should be conducted by the manager in charge of the purchase and should include the following:

1.   Review of all required monthly performance reports;

2.   Analysis of monthly report summaries.   Identify those contracts where performance expectations are being met.

3.   Maintain communications with vendor;

4.   Intervene timely when monthly report summaries continue to show performance variances and inefficiencies; and

5.   Use the vendor performance history for future decision making.

Tracking contract expenditures should be conducted by the purchasing agent or treasurer, using the following as guidelines:

1.   A Disbursements Journal should document all expenditures being made for each program in place.

2.   Once vendor invoices are received, they should be compared to the purchase orders and reconciled.

3.   Invoices should be checked for accuracy, authorized for payment, stamped "paid" to ensure against duplicate payments, and pre-numbered checks issued to the vendor to pay for the obligation.

4.   Monthly bank reconciliations should be performed by someone not responsible for cash receipts and disbursements.

5.   Determine if the unit rate is in line with agreed upon contract.

Contract Close-out:

IX.   Contract close-out should be conducted by the manager in charge of the purchase or the purchasing agent, and should include the following:

1.   Final inspection;
2.   Securing incomplete work;
3.   Manuals;
4.   Warranties. Procedures for tracking the warranties on construction projects should be developed to ensure that the product or service will be inspected before the warranty period has expired;

5.   Record drawings. A method should be established to compile. File, and retrieve as-constructed record drawings.
6.   Notice of completion;
7.   Liens;
8.   Record retention;
9.   Final payment;
10.   Conflict resolutions;
11.   Project report requirements; and
12.   Critiques.

The purchasing agent, or other designee, should issue a report to the Board, the District treasurer, and the superintendent outlining final inspection and completion of the project. Approval for final payment by the Board should be made at this time and recorded in a resolution.